

\$17,415,000**Idaho Bond Bank Authority
Revenue Bonds, Series 2006A****DATED: Date of Delivery (May 11, 2006)****DUE: September 15, as shown on the inside cover****MOODY'S RATINGS**— "Aa2", underlying; "Aaa", insured (see "Financial Guaranty Insurance" and "Ratings" herein).**NOT BANK QUALIFIED**

BOOK ENTRY ONLY— The \$17,415,000 Idaho Bond Bank Authority Revenue Bonds, Series 2006A (the "Series 2006A Bonds") will be issued in fully registered form under a book-entry only system, registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Series 2006A Bonds. Individual purchases of the Series 2006A Bonds will be made in book-entry form through DTC in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2006A Bonds purchased.

ISSUERS AND PURPOSE— The Idaho Bond Bank Authority ("Authority") of the State of Idaho (the "State") is the issuer of the Series 2006A Bonds through the Idaho Bond Bank Authority Act, Title 67, Chapter 87, Idaho Code, as amended (the "Act") pursuant to a master trust agreement between the Authority and U.S. Bank National Association (the "Trustee"), dated as of December 1, 2004 (the "Master Trust Agreement"), and a second supplemental trust agreement between the Authority and the Trustee to be dated as of May 1, 2006 (the "Second Supplemental Trust Agreement" and, collectively with the Master Trust Agreement, the "Trust Agreement"). Proceeds of the Series 2006A Bonds will be used by the Authority to make loans (the "Loans") to certain Idaho cities (collectively, the "Participants") in order to: (i) finance the construction of certain public water and/or sewer capital improvements; and (ii) achieve savings in debt service by refunding all or a portion of outstanding revenue bonds (the "Prior Participant Bonds"), as more fully described herein. See "Purpose and Use of Proceeds" herein. The Authority and each Participant will enter into a Loan Agreement dated as of the Date of Delivery to provide for the repayment of the Loans from System Net Revenues, as described herein. The Participants are authorized to enter into future obligations with parity or subordinate liens on their System Net Revenues, as defined herein, including loans with the Authority. In addition, one of the Participants has an outstanding obligation with a parity lien on its System Net Revenues.

THE SERIES 2006A BONDS AND THE LOANS— *The Series 2006A Bonds are revenue bonds of the Authority. The Loans constitute loans from the Authority to the Participants. Each Participant is required by its Loan Agreement to issue and sell its revenue bond (the "City Revenue Bond") to the Authority as evidence of its Loan obligation and the payments due on the City Revenue Bond will be equal to the Repayment Installments, as described herein.*

SECURITY— The Series 2006A Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State Sales Tax Revenues, defined herein, and (iv) all other moneys received by the Authority and designated by the Authority as Revenues (collectively, the "Revenues"). The Series 2006A Bonds are further secured by moneys available in debt service reserve funds established by the Loan Agreements and held by each Participant (collectively, the "Series 2006 Reserve"). All of the Series 2006A Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2006A Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2006A Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. **THE SERIES 2006A BONDS ARE NOT A DEBT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2006A BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED UNDER THE TRUST AGREEMENT AND THE ACT. THE SERIES 2006A BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.**

Payment of the principal of and interest on the Series 2006A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2006A Bonds. See the caption "Financial Guaranty Insurance" herein.



PRINCIPAL AND INTEREST PAYMENTS— The principal of and premium, if any, and interest on the Series 2006A Bonds will be payable by the Trustee, solely from any amounts available in the funds and accounts established under the Loan Agreement and the Trust Agreement described herein, to DTC which, in turn, will remit such principal and interest to the DTC Participants, defined herein, for subsequent disbursement to the beneficial owners of the Series 2006A Bonds. Interest on the Series 2006A Bonds will be payable on September 15, 2006 and semiannually thereafter on March 15 and September 15 of each year until maturity or redemption.

MATURITY SCHEDULE—SEE INSIDE COVER

REDEMPTION— The Series 2006A Bonds are subject to redemption as further described herein.

TAX MATTERS— *In the opinion of Orrick Herrington & Sutcliffe LLP, Tax Counsel to the Authority ("Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of Idaho personal income taxes. In the further opinion of Tax Counsel, interest on the Series 2006A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006A Bonds. See "Tax Matters."*

DELIVERY— The Series 2006A Bonds are offered for sale to the Underwriter subject to receiving the final approving legal opinion of Skinner Fawcett as Bond Counsel, and certain other conditions. Certain legal matters with respect to the Loan Agreements will be passed on for the Participants by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel to the Participants. It is expected that the Series 2006A Bonds will be available for delivery to the Trustee for Fast Automated Securities Transfer on behalf of DTC on or about May 11, 2006 (the "Date of Delivery").

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**SEATTLE-NORTHWEST
SECURITIES CORPORATION**

Idaho Bond Bank Authority
\$17,415,000 Revenue Bonds, Series 2006A

DATED: Date of Delivery

DUE: September 15, as shown below

MATURITY SCHEDULE —

Due 15-Sep	Amounts	Interest Rates	Yield	CUSIP No. 451152	Due 15-Sep	Amounts	Interest Rates	Yield	CUSIP No. 451152
2006	\$ 225,000	4.000%	3.600%	AU6	2015	\$ 630,000	5.000%	4.210%	BD3
2007	535,000	4.000%	3.620%	AV4	2016	660,000	5.000%	4.260%	BE1
2008	575,000	4.000%	3.650%	AW2	2017	690,000	4.000%	4.300%	BF8
2009	610,000	4.000%	3.700%	AX0	2018	725,000	4.200%	4.360%	BG6
2010	630,000	4.000%	3.740%	AY8	2019	750,000	4.250%	4.380%	BH4
2011	660,000	4.000%	3.820%	AZ5	2020	785,000	4.250%	4.400%	BJ0
2012	685,000	4.000%	3.920%	BA9	2021	820,000	4.200%	4.420%	BK7
2013	710,000	5.000%	4.040%	BB7	2022	850,000	4.250%	4.440%	BL5
2014	600,000	5.000%	4.140%	BC5					
<p>\$1,820,000 4.30% Term Bond due September 15, 2024 @ 4.46% Yield; CUSIP No. 451152BN1</p> <p>\$1,850,000 5.00% Term Bond due September 15, 2026 @ 4.48% Yield⁽¹⁾; CUSIP No. 451152BQ4</p> <p>\$1,030,000 4.50% Term Bond due September 15, 2030 @ 4.61% Yield; CUSIP No. 451152BU5</p> <p>\$1,575,000 4.50% Term Bond due September 15, 2035 @ 4.66% Yield; CUSIP No. 451152BZ4</p>									

(1) Priced to the call date of September 15, 2016.

This Official Statement does not constitute an offer to sell the Series 2006A Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the Participants, Western Financial Group, LLC (the "Financial Advisor") or Seattle-Northwest Securities Corporation (the "Underwriter") to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2006A Bonds and, if given or made, such information or representations must not be relied upon. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the Participants or the Authority since the date hereof. This Official Statement is not to be construed as a contract with the Purchasers of the Series 2006A Bonds.

The CUSIP numbers are included in the Maturity Schedule on this inside cover page for convenience of the holders and potential holders of the Series 2006A Bonds. No assurance can be given that the CUSIP numbers for the Series 2006A Bonds will remain the same after the date of issuance and delivery of the Series 2006A Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Idaho Bond Bank Authority
Office of the Idaho State Treasurer
Room 102 Statehouse
Boise, Idaho
(208) 332-2997

Board Members

John Sandy	Chairman
Bart Davis	Member
Bill Deal, Sr.	Member
Lee Gagner	Member
Ken Harward	Member

Administrator

Liza Carberry	Executive Director
---------------	--------------------

Participants

- | | |
|-----------------------------------|---------------------------------------|
| 1. City of Jerome, Jerome County | 3. City of Orofino, Clearwater County |
| 2. City of Ketchum, Blaine County | |

Bond Counsel and Disclosure Counsel

Skinner Fawcett
Boise, Idaho
(208) 345-2663

Bond Counsel to the Participants

Moore Smith Buxton & Turcke, Chartered
Boise, Idaho
(208) 331-1800

Trustee

U.S. Bank National Association
Salt Lake City, Utah
(801) 534-6083

Financial Advisor

Western Financial Group, LLC
Lake Oswego, Oregon
(503) 636-0265

(This page left blank intentionally.)

Table of Contents

	<u>Page</u>
Definitions	1
The Idaho Bond Bank Authority.....	1
Introduction.....	1
Authority for Issuance and Use of Proceeds of the Series 2006A Bonds	2
Security and Sources of Payment of the Series 2006A Bonds.....	2
Description of the Series 2006A Bonds	3
Principal Amounts, Date, Interest Rates and Maturities	3
Sources and Uses of Funds	4
The Trustee	5
Book-Entry Registration.....	5
Procedure in the Event of Discontinuation of Book-Entry Transfer System.....	6
Redemption Provisions	6
Continuing Disclosure	7
Security for the Series 2006A Bonds.....	8
General	8
Additional Bonds	8
Funded Debt	9
Flow of Funds	9
State Sales Tax Account.....	9
Loan Agreement.....	13
Additional Obligations of Participants	14
Financial Guaranty Insurance	15
Payment Pursuant to Financial Guaranty Insurance Policy	15
Ambac Assurance Corporation	16
Available Information.....	16
Incorporation of Certain Documents by Reference	16
Rating	17
Financial Factors	17
Legal Matters and Tax Matters	18
Legal Matters.....	18
Tax Matters	18
The Initiative Process	20
Historical Initiative Petitions.....	21
Litigation.....	21
Financial Advisor.....	21
Underwriting.....	21
Concluding Statement.....	21
 Appendices:	
Definitions.....	Appendix A
Form of Tax Counsel Opinion.....	Appendix B
Book-Entry Only	Appendix C
Form of Continuing Disclosure Agreement	Appendix D
Summary of the Trust Agreement and the Form of Loan Agreement.....	Appendix E
General Participant Information	Appendix F
City of Jerome	Appendix G
City of Ketchum	Appendix H
City of Orofino	Appendix I
Specimen Financial Guaranty Insurance Policy.....	Appendix J

(This page left blank intentionally.)

OFFICIAL STATEMENT

\$17,415,000

Idaho Bond Bank Authority Revenue Bonds, Series 2006A

Definitions

Unless the context otherwise requires, the terms used in this Official Statement shall have the meanings specified in Appendix A, attached hereto.

The Idaho Bond Bank Authority

The Idaho Bond Bank Authority, an independent public body corporate and politic created by the Idaho State Legislature in 2001, is an instrumentality of the State of Idaho (the "State") within the State Treasurer's Office. An authorizing amendment to the Idaho Constitution was adopted in 2000, enabling legislation that was passed in the 2001 Legislative Session. Title 67, Chapter 87, of the Idaho Code (the "Act") authorizes and empowers the Authority to issue bonds for the purpose of purchasing municipal bonds, including loans undertaken by municipalities for any purpose authorized by law.

The Authority is administered by a board consisting of the Idaho State Treasurer or his designee, one member of the Senate, one member of the House of Representatives, and two members appointed by the governor (the "Board"). Current Board members and their terms are as follows:

Idaho Bond Bank Board Members

Member	Occupation	Term of Office	Expiration of Term
John Sandy, Chair	Consultant	Indefinite	--
Bart Davis	State Senator	Two years	11/30/06
Bill Deal, Sr.	State Representative	Four years	07/01/08
Lee Gagner	Home Builder	Two years	11/30/06
Ken Harward	Association of Idaho Cities	Four years	07/01/08

The Authority issued its pooled Revenue Bonds, Series 2004A, in the original principal amount of \$11,070,000, dated December 1, 2004 (the "Series 2004A Bonds"). Seven cities participated in the Series 2004A Bonds, none of which are Participants in the Series 2006A Bonds. The outstanding principal on the Series 2004A Bonds is currently \$10,360,000 and the final maturity is September 1, 2022.

Introduction

The Authority is furnishing this Official Statement to provide information in connection with the issuance of \$17,415,000 aggregate principal amount of Idaho Bond Bank Authority Revenue Bonds, Series 2006A issued pursuant to a master trust agreement dated as of December 1, 2004 (the "Master Trust Agreement") between the Authority and U.S. Bank National Association as trustee, and a second supplemental trust agreement dated as of May 1, 2006 between the Authority and the Trustee (the "Second Supplemental Trust Agreement" and, collectively with the Master Trust Agreement, the "Trust Agreement").

This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning each of the Idaho cities shown on the inside cover page of this Official Statement (the "Participants"), the Loans and the Series 2006A Bonds.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "projected," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The information set forth herein has been obtained from the Authority, the Participants and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, warranty or guarantee by the Underwriter. The Underwriter has relied on the Authority and the Participants with respect to the accuracy and sufficiency of such information. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Authority for Issuance and Use of Proceeds of the Series 2006A Bonds

The Series 2006A Bonds are being issued by the Authority pursuant to the Act. The Act authorizes the Authority to issue bonds to purchase municipal bonds, including loans undertaken by municipalities for any purpose authorized by law. The proceeds of the Series 2006A Bonds are to be applied by the Authority to acquire water and sewer revenue loans (collectively, the "Loans") made by the Authority pursuant to the Act to each of the Participants. Prior to the Date of Delivery, each Participant is required to have issued and sold a revenue bond (the "City Revenue Bond") to the Authority as evidence by such Participant's Loan obligation.

The City Revenue Bond for each Participant of the Series 2006A Bonds was duly authorized in order to finance the Participant's water and/or sewer project or to refinance all or a portion of outstanding water or sewer revenue bonds (the "Prior Participant Bonds"). Additional information on the individual Participant's project being financed or refinanced is provided in Appendices G through I attached hereto.

City Revenue Bonds for refunding purposes do not require voter approval; all other City Revenue Bonds received approval from voters of the required majority of the electors of each Participant voting at a special bond election held and conducted by the Participant in accordance with the Constitution and laws of Idaho. Ordinances were approved by the governing body of each of the Participants (the "Ordinances"). The Ordinances authorize each of the Participants to execute a loan agreement with and to issue a City Revenue Bond evidencing such Loan Agreement to the Authority dated as of the Date of Delivery (each, a "Loan Agreement" and collectively, the "Loan Agreements"). Each Loan Agreement and the City Revenue Bond is payable from System Net Revenues, as hereinafter described. Interest and principal payments due on a Participant's City Revenue Bond will equal the interest components and principal components of such Participant's Loan Agreement ("Repayment Installments").

The Participants are authorized to execute future obligations with parity or subordinate liens on their System Net Revenues, including loans with the Authority. In addition, some of the Participants have outstanding obligations with parity or senior liens on the revenues generated from ownership and operation of their System after the deduction of certain operation and maintenance expenses (the "System Net Revenues"). See "Security for the Series 2006A Bonds -- Additional Obligations of Participants" herein.

Security and Sources of Payment of the Series 2006A Bonds

The Series 2006A Bonds are limited obligations of the Authority and the Repayment Installments are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State sales tax revenues (the "Sales Tax Revenues"), and (iv) all other moneys received by the Authority and designated by the Authority as Revenues (collectively, the "Revenues"). The Series 2006A Bonds are further secured by moneys available in

debt service reserve funds established by the Loan Agreements and held by each Participant (collectively, the "Series 2006 Reserve") for the benefit of the Authority. All of the Series 2006A Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2006A Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt of the Authority, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2006A Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. See "Security for the Series 2006A Bonds" herein.

Each Participant is required under the Loan Agreement to create and maintain its Series 2006 Reserve in an amount equal to the Reserve Requirement to be maintained as a debt service reserve fund for the Loan. A Participant may draw upon its Series 2006 Reserve only in the event System Net Revenues are insufficient to make the Repayment Installments. In the event that a draw is made on the Series 2006 Reserve, the Participant is required under the Loan Agreement to replenish its Series 2006 Reserve to the Reserve Requirement as soon as possible, but not later than one year from the date of drawing, from System Net Revenues.

The Series 2006A Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2006A Bonds be payable out of any funds or properties other than those of the Authority as provided under the Trust Agreement and the Act. The Series 2006A Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction.

NO PARTICIPANT IS REQUIRED TO PAY ANY PORTION OF ANOTHER PARTICIPANT'S REPAYMENT INSTALLMENTS, RESERVE REQUIREMENT OR OTHER OBLIGATION UNDER THE LOAN AGREEMENT.

Description of the Series 2006A Bonds

Principal Amounts, Date, Interest Rates and Maturities

The Series 2006A Bonds will be issued in the aggregate principal amount of \$17,415,000, will be dated and bear interest from their Date of Delivery to the Underwriter, and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2006A Bonds will be payable on September 15, 2006 and semiannually thereafter on March 15 and September 15 of each year until maturity or redemption (each March 15 and September 15 is referred to herein as the "Interest Payment Date"). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

**Idaho Bond Bank Authority
Revenue Bonds
Debt Service Schedule**

Year	Outstanding Series 2004 Bonds	Series 2006 Bonds			Total Bond Bank Debt Service
		Principal	Interest	Total	
2006	\$ 962,815	\$ 225,000	\$ 264,753	\$ 489,753	\$ 1,452,568
2007	1,183,580	535,000	759,638	1,294,638	2,478,218
2008	1,196,080	575,000	738,238	1,313,238	2,509,318
2009	1,187,530	610,000	715,238	1,325,238	2,512,768
2010	1,192,530	630,000	690,838	1,320,838	2,513,368
2011	1,190,280	660,000	665,638	1,325,638	2,515,918
2012	1,191,030	685,000	639,238	1,324,238	2,515,268
2013	1,189,530	710,000	611,838	1,321,838	2,511,368
2014	1,015,780	600,000	576,338	1,176,338	2,192,118
2015	848,280	630,000	546,338	1,176,338	2,024,618
2016	402,030	660,000	514,838	1,174,838	1,576,868
2017	401,280	690,000	481,838	1,171,838	1,573,118
2018	403,740	725,000	454,238	1,179,238	1,582,978
2019	364,940	750,000	423,788	1,173,788	1,538,728
2020	367,140	785,000	391,913	1,176,913	1,544,053
2021	318,405	820,000	358,550	1,178,550	1,496,955
2022	140,805	850,000	324,110	1,174,110	1,314,915
2023	0	890,000	287,985	1,177,985	1,177,985
2024	0	930,000	249,715	1,179,715	1,179,715
2025	0	970,000	209,725	1,179,725	1,179,725
2026	0	880,000	161,225	1,041,225	1,041,225
2027	0	240,000	117,225	357,225	357,225
2028	0	250,000	106,425	356,425	356,425
2029	0	265,000	95,175	360,175	360,175
2030	0	275,000	83,250	358,250	358,250
2031	0	285,000	70,875	355,875	355,875
2032	0	300,000	58,050	358,050	358,050
2033	0	315,000	44,550	359,550	359,550
2034	0	330,000	30,375	360,375	360,375
2035	0	345,000	15,525	360,525	360,525
	<u>\$ 13,555,775</u>	<u>\$ 17,415,000</u>	<u>\$ 10,687,463</u>	<u>\$ 28,102,463</u>	<u>\$ 41,658,238</u>

NOTE: Columns may not foot due to rounding. Debt service schedules for each of the Participant's Loans are attached as part of Appendices G through I to this Official Statement.

Sources and Uses of Funds

The proceeds of the Series 2006A Bonds are to be applied by or on behalf of the Authority to loan to the Participants in the amount identified in each of the Participants' Loan Agreements. The proceeds of the Series 2006A Bonds are expected to be applied as follows:

Sources and Uses of Funds

Sources and Uses	Amount
Principal Amount	\$ 17,415,000
Cash Contribution	252,873
Net Original Issue Premium	81,088
Reserve on Prior Participant Bonds	409,775
Total Sources of Funds	<u>\$ 18,158,736</u>
Uses of Funds	
Available for Projects	\$ 12,661,955
Available for Payment of Prior Bonds	4,240,982
Series 2006 Reserve ⁽¹⁾	927,755
Underwriter's Discount, Costs of Issuance, Insurance (if any), Authority Expenses and Contingency	<u>328,044</u>
Total Uses of Funds	<u>\$ 18,158,736</u>

(1) Held and administered by the Participants.

The Trustee

The Authority has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee for the Series 2006A Bonds. The Trustee is to carry out those duties assignable to and accepted by it under the Trust Agreement. Except for the contents of this section and the description of the Trustee's responsibilities under the Trust Agreement, the Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of any of the Series 2006A Bonds authenticated or delivered pursuant to the Trust Agreement or for the use or application of the proceeds of such Series 2006A Bonds by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2006A Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Series 2006A Bonds, the technical or financial feasibility of the Projects, or the investment quality of the Series 2006A Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee and its services may be found at U.S. Bank's website at <http://www.usbank.com/corporatetrust>.

The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

Book-Entry Registration

The Series 2006A Bonds are issuable in fully registered form and, when issued, will be registered in the name of Cede & Co. as Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2006A Bonds. Individual purchases and sales of the Series 2006A Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Series 2006A Bonds.

The ownership of one fully registered certificate for each maturity of the Series 2006A Bonds, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of the Series 2006A Bonds of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

The principal of and premium, if any, and interest on the Series 2006A Bonds will be payable by the Trustee to DTC, which, in turn, will be obligated to remit such principal, premium and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2006A Bonds, as further described in Appendix C attached hereto.

Notwithstanding any other provision to the contrary, so long as all Series 2006A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2006A Bond and all notices with respect to each such Series 2006A Bond shall be made and given, respectively, to DTC as provided in or pursuant to the Representation Letter.

Procedure in the Event of Discontinuation of Book-Entry Transfer System

In the event that the Authority determines that the Series 2006A Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Series 2006A Bonds will be transferable upon receipt by the Trustee from the registered owner thereof of the Series 2006A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2006A Bonds. If the Series 2006A Bonds cease to be in book-entry only form, the Trustee is required to mail by first class mail, postage prepaid, each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2006A Bond register as of the Record Date. Principal of each Series 2006A Bond shall be paid only on or after the stated maturity date thereof or date fixed for earlier prepayment thereof, and then only upon presentation and surrender of such Series 2006A Bond to the Trustee at its principal corporate trust operations office in St. Paul, Minnesota.

Any Series 2006A Bond may, in accordance with its terms, be transferred by the person in whose name it is registered in the books required to be kept by the Trustee upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2006A Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Series 2006A Bond and maturity for a like aggregate principal amount of in \$5,000 denominations or integral multiples thereof. The Trustee shall require the payment by the Series 2006A Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

Redemption Provisions

Series 2006A Bonds -- Optional Redemption. The Series 2006A Bonds maturing on or prior to September 15, 2016, are not subject to optional redemption. The Series 2006A Bonds maturing on and after September 15, 2017, are subject to optional redemption prior to maturity at the written direction of the Authority, from any moneys deposited by the Authority, as a whole or in part on any date on or after September 15, 2016, and among such maturities as are designated by the Authority to the Trustee, at the price of par, plus accrued interest, if any, to the date of redemption.

As provided in the Loan Agreements, Participants may prepay their Repayment Installments. The principal component of the Repayment Installments to be prepaid by a Participant is required to correspond in amount and maturity date to the Series 2006A Bonds related to such Participant's Loan Agreement.

Series 2006A Bonds -- Mandatory Redemption. The Series 2006A Term Bonds maturing on September 15 in years 2024, 2026, 2030 and 2035 are subject to mandatory redemption, by lot, from mandatory sinking account payments in the amounts and on the dates set forth below:

Series 2006A Term Bonds

2024 Term Bond		2026 Term Bond		2030 Term Bond		2035 Term Bond	
Due Sept. 15	Amount	Due Sept. 15	Amount	Due Sept. 15	Amount	Due Sept. 15	Amount
2023	\$ 890,000	2025	\$ 970,000	2027	\$ 240,000	2031	\$ 285,000
2024	<u>930,000</u> ⁽¹⁾	2026	<u>880,000</u> ⁽¹⁾	2028	250,000	2032	300,000
	<u>\$ 1,820,000</u>		<u>\$ 1,850,000</u>	2029	265,000	2033	315,000
				2030	<u>275,000</u> ⁽¹⁾	2034	330,000
					<u>\$ 1,030,000</u>	2035	<u>345,000</u> ⁽¹⁾
							<u>\$ 1,575,000</u>

(1) Final maturity.

Notice of Redemption (No Book-Entry). Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Bond Owners of the Series 2006A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Each notice of redemption shall state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

Continuing Disclosure

Securities and Exchange Commission Rule 15c2-12 (the “Rule”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2006A Bonds and the Loans, if material. Pursuant to the Rule, the Authority and the Participants have agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository or DisclosureUSA, and to the appropriate state information depository, if any, audited financial information of the Participants and certain financial information or operating data. In addition, the Authority and the Participants have agreed to provide, or cause to be provided, to (i) the NRMSIRs or DisclosureUSA, or (ii) the Municipal Securities Rulemaking Board and to the state information repository, if any, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The form of the Continuing Disclosure Agreement between the Authority and the Trustee as dissemination agent is included in Appendix D, attached hereto. The form of the continuing disclosure agreement for the Participants is included as Section 5.9 of the Loan Agreement. A summary of the Loan Agreements is attached to this Official Statement as Appendix E.

A failure by the Authority or a Participant to comply with a continuing disclosure undertaking as set forth in their continuing disclosure agreements will not constitute an event of default under the Trust Agreement or a Loan Agreement and owners of the Series 2006A Bonds are limited to the remedies described in the related undertakings referenced above. A failure by the Authority or a Participant to comply with a continuing disclosure undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2006A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2006A Bonds and their market price.

Security for the Series 2006A Bonds

General

The Series 2006A Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State Sales Tax Revenues, and (iv) all other moneys received by the Authority and designated by the Authority as Revenues. The Series 2006A Bonds are further secured by moneys available in the Series 2006A Reserve, defined herein. The pledge in Section 67-8716(4), Idaho Code, provides that the State will not alter or limit the pledge of Sales Tax Revenues from the sales tax account of the State (the "Sales Tax Account") until the Series 2006A Bonds are paid in full. All of the Series 2006A Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2006A Bonds as provided under the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues on parity with all indebtedness of the Authority secured by any pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues which is equal and ratable to the lien of the Trust Agreement on or in such Revenues ("Funded Debt"), if any, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2006A Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code. See "Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement" attached hereto.

The Series 2006A Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2006A Bonds be payable out of any funds or properties other than those of the Authority as provided under the Trust Agreement and the Act. The Series 2006A Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction.

PURSUANT TO SECTION 67-8724 OF THE ACT, THE STATE HAS PLEDGED NOT TO IMPAIR BONDHOLDER RIGHTS UNDER SECTION 67-8724 OF THE ACT. THE STATE ALSO PLEDGES AND AGREES WITH THE OWNERS OF THE BONDS, PURSUANT TO SECTION 67-8724 OF THE IDAHO CODE, THAT THE STATE WILL NOT LIMIT OR ALTER THE RIGHTS VESTED IN THE AUTHORITY BY THE ACT TO FULFILL THE TERMS OF ANY AGREEMENTS MADE WITH SUCH OWNERS, OR IN ANY WAY IMPAIR THE SECURITY, RIGHTS OR REMEDIES OF THE OWNERS OF THE BONDS UNTIL THE BONDS, TOGETHER WITH INTEREST THEREON, ARE FULLY PAID AND DISCHARGED. THE STATE PLEDGES TO AND AGREES WITH THE OWNERS OF THE BONDS THAT THE STATE WILL NOT ALTER, IMPAIR OR LIMIT THE RIGHTS VESTED BY THE SALES TAX ACCOUNT PLEDGE PROVIDED IN SECTIONS 67-8716 AND 63-3638, IDAHO CODE, WITH RESPECT TO THE BONDS UNTIL THE BONDS, TOGETHER WITH APPLICABLE INTEREST, ARE FULLY PAID AND DISCHARGED. THE AUTHORITY IS AUTHORIZED TO INCLUDE THIS PLEDGE AND AGREEMENT IN ANY INDENTURE, TRUST AGREEMENT OR OTHER AGREEMENT WITH THE HOLDERS OF SUCH BONDS. THIS PLEDGE HAS BEEN INCLUDED IN THE TRUST AGREEMENT.

Additional Bonds

Additional Bonds may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. See "Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement -- Additional Bonds."

Funded Debt

Funded Debt, which is debt of the Authority secured by a pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues, which is equal and ratable to the lien of the Trust Agreement on or in such Revenues, may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. See "Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement -- Funded Debt."

Flow of Funds

All money in each of the accounts held in trust by the Trustee are required by the Trust Agreement to be applied, used and withdrawn only for the purposes outlined below.

At least 15 days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Series 2006A Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

At least 15 days before each September 15, commencing September 15, 2006, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Bonds maturing on such September 15. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Series 2006A Bonds is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing on such September 15.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, if any, which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the required deposits into the Interest Account, Principal Account and Subordinated Indebtedness Fund, the Trustee may withdraw from the Revenue Fund and transfer to the Authority for deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee shall withdraw from the Subordinated Indebtedness Fund, if any, and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

State Sales Tax Account

Pledge. Monies transferred from the State Sales Tax Account to the Trustee are part of the Trust Estate pledged to the repayment of principal and interest on the Series 2006A Bonds. The State Sales Tax Account is comprised of retail sales taxes and taxes on rentals of tangible personal property, admission fees and fees for recreation or hotel/motel rooms of up through 30 days. Use tax applies if sales tax was not paid at the point of

purchase. Exceptions include utilities, motor fuels, prescription drugs, tangible personal property used in manufacturing, farming, processing, mining and fabricating.

In the event a Participant fails to deposit sufficient funds with the Trustee to make full payment of principal of and interest on the Series 2006A Bonds by the 10th day prior to the Payment Date of the Series 2006A Bonds, the Trustee is required to notify the Authority and the State Treasurer. Upon receipt of such notice, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A), to give notice to the Tax Commission, certifying the amount of the deficiency, at least 5 days prior to the Payment Date of the Series 2006A Bonds. After receipt of the certified notice from the State Treasurer, the Tax Commission shall, pursuant to the Act: (i) immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) cause moneys to be transferred from the State Sales Tax Account and deposited in the Series 2006A Bond Bank Authority Fund; *provided however*, that the transfer of moneys from the State Sales Tax Account, under the provisions of Section 67-8716 of the Act, shall not impede or otherwise limit the payment of sales tax moneys pledged for the payment on other bonds outstanding as of July 1, 2001, or tax anticipation notes issued by the State pursuant to Section 63-3202, Idaho Code. See "State Sales Tax Account – Senior Liens on State Sales Taxes" below.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund for the Series 2006A Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Series 2006A Bonds on the Payment Date and then to the State for reimbursement of any moneys transferred to the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Series 2006A Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

As of the date of this Official Statement, the Authority has one series of revenue bonds outstanding, the Series 2004 Bonds, which are on parity with the Series 2006A Bonds as follows:

**Outstanding Bond Bank Issues
Revenue Bonds, Series 2004A**

Original Principal Amount	\$11,070,000
Principal Amount Outstanding	\$10,360,000
Final Maturity	September 1, 2022

Source: Idaho Bond Bank Authority.

Senior Liens on State Sales Taxes. The Idaho School Bond Guaranty is secured by a pledge of State Sales Tax Revenues pursuant to Chapter 53, Title 33, Idaho Code. Bonds secured by the Idaho School Bond Guaranty as of July 1, 2001 would have a lien on State Sales Tax Revenues superior to that of the Series 2006A Bonds. However, there were no bonds issued on or prior to July 1, 2001 that were secured by the Idaho School Bond Guaranty. Bonds secured by the Idaho School Bond Guaranty after such effective date do not have a superior lien on State Sales Tax Revenues.

Sales tax funds must be allocated to the Idaho Housing and Finance Association bonds secured by State Sales Tax Revenues and outstanding as of July 1, 2001, if within 60 days of the close of the Fiscal Year, the Chairman of the Housing Agency Board of Commissioners certifies to the State Tax Commission that a deficiency exists in any Agency Capital Reserve Fund. As of the date of this Official Statement, the Idaho Housing and Finance Association's outstanding bond indebtedness was \$10,485,000. No claims have ever been made by the Agency for State sales tax funds. The Legislature has eliminated the continuing appropriation for all Idaho Housing and Finance Association bonds issued on or after January 1, 1996.

From time-to-time, the State issues tax anticipation notes for its cash flow purposes. Pursuant to Chapter 32, Title 63 of the Idaho Code, the State may borrow monies in anticipation of general tax revenues (i.e., income and revenue from taxes, whether specific, *ad valorem*, excise, income, sales, franchise or license), in a principal sum not to exceed 75 percent of the income or revenue from such taxes as the State reasonably anticipates to be collected during the fiscal year. General tax revenues anticipated to be collected during Fiscal Year 2006 are

expected to be not less than \$2,256,100,000, which provides a limit of \$1,692,075,000 on such borrowings for Fiscal Year 2006. The State's tax anticipation notes represent 17 percent of the Fiscal Year 2006 projected general tax revenues, which is less than the 75 percent limit allowed by the Code.

Listed below are the amounts borrowed and retirement dates of tax anticipation notes in the past five Fiscal Years.

State Tax and Revenue Anticipation Notes

Fiscal Year	Principal	Interest Rate	Maturity Date
2005-06	\$260,000,000	4.00%	June 30, 2006
2004-05	230,000,000	3.00%	June 30, 2005
2003-04	375,000,000	2.00%	June 30, 2004
2002-03	350,000,000	3.00%	June 30, 2003
2001-02	250,000,000	3.75%	June 28, 2002
2000-01	200,000,000	5.38%	June 29, 2001

Source: Idaho State Treasurer's Office, March 15, 2006.

Rates and Receipts. Sales tax rates since inception of the tax have been as follows:

Historical State Sales Tax Rates

Dates	Rate
July 1, 2005 -- present	5.00%
May 1, 2003 -- June 30, 2005	6.00%
April 1, 1986 -- April 30, 2003	5.00%
July 1, 1984 -- March 31 1986	4.00%
June 1, 1983 -- June 30, 1984	4.50%
March 1, 1983 -- May 31, 1983	4.00%
July 1, 1965 -- February 28, 1983	3.00%

Source: Idaho State Treasurer's Office.

State of Idaho Taxable Sales and Use Taxable Sales (\$000 Omitted)

Calendar Year	Amount	% Growth	Calendar Year	Amount	% Growth
2005	\$ 20,174,828	13.36%	1999	\$ 14,601,265	12.57%
2004	17,796,781	6.85%	1998	12,970,353	4.31%
2003	16,655,483	2.85%	1997	12,434,851	1.21%
2002 ⁽¹⁾	16,193,606	13.95%	1996	12,285,739	5.69%
2001 ⁽¹⁾	14,211,532	-4.70%	1995	11,624,000	3.87%
2000	14,912,310	2.13%	1994	11,191,306	--

(1) Due to a system conversion at the end of Fiscal Year 2001, some taxable sales and use taxable sales from Fiscal Year 2001 were reported in Fiscal Year 2002.

Source: Idaho State Tax Commission Annual Reports.

The Idaho State Tax Commission (the “Tax Commission”) collects and audits State sales tax receipts. **State sales taxes are received by the State on the 20th day of each month unless the amount is less than \$500, in which case it is received quarterly.**

Total sales taxes received by the Tax Commission in the past six years are shown in the following table:

Historical State Sales Tax Receipts

Fiscal Year Ended June 30	Sales Tax Receipts	Percent Change from Prior Year
2005	\$1,125,316,962	8.94%
2004	1,032,987,504	23.09
2003	839,180,862	6.01
2002	791,623,566	1.64
2001	778,886,914	3.83
2000	750,125,925	--

Source: Idaho State Tax Commission Annual Reports.

The State collects certain revenues that are disbursed to local governments, including the Participants. State-administered and collected revenues that are disbursed to local governments include State sales taxes, liquor taxes, cigarette taxes and fuel taxes, among others. Of these, the State sales tax is the largest revenue source, representing approximately 94 percent of the Fiscal Year 2005 State-administered taxes that are distributed to local governments. The Tax Commission collects State-administered tax receipts and conducts audits on such taxes. Taxes on fuel are restricted by the Idaho Constitution for use on roads and highway projects. In addition, the Tax Commission collects hotel/motel room sales tax, corporate net income tax, electricity tax, estate tax, Illegal Drug Stamp Act tax, mine license tax, and personal income tax. **Pursuant to the Act, the Series 2004A Bonds had an intercept of State sales tax under certain circumstances. The intercept does not apply to the Series 2006A Bonds.**

Pursuant to Idaho Code 63-3638 (9), sales tax revenue is distributed through a revenue sharing account held by the State Treasury to cities, counties and special districts (the “State Shared Revenues”). Distributions to cities are made at the end of each quarter, which is each September 30, December 30, March 31, and June 30.

Sales tax rates and distribution of sales tax receipts are determined by statute.

Sales Tax Rates and Allocation to State Shared Revenue Account

	Sales Tax Rate	Allocation Percentage to State Shared Revenue Account
Prior to 2003	5%	13.5%
2003-2005	6%	11.5%
2005	5%	13.75%
2006	5%	11.4%

Source: Idaho Tax Commission Annual Reports.

The State Shared Revenues are to be distributed as follows:

- (i) 28.2 percent to cities according to city population (50 percent) and assessed market value (50 percent).
- (ii) 28.2 percent to counties.
- (iii) 35.9 percent to various counties for distribution to those cities and counties in Idaho that received payments under Section 63-3638(e) in the fourth quarter of calendar year 1999. Because of a "hold harmless" provision in the county distribution, cities receive a base, which is equal to the amount received in the fourth quarter of calendar year 1999. If sales tax collections fall below the 1999 level, payments to cities and counties are reduced proportionately. If sales tax receipts exceed this level, cities can receive revenues up to 5 percent above their base. Any excess in sales tax receipts over 105 percent of the base level is distributed half to cities and half to counties, and apportioned according to city population.
- (iv) 7.7 percent to the various counties for distribution to special purpose districts.

Each Participant is required under its Loan Agreement to transfer funds to the Trustee at least 15 days before the Repayment Installment Date.

If a Participant is unable to transfer all of its Repayment Installment to the Trustee at least 15 days before the Repayment Installment Date, the Participant shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Series 2006A Bonds at least 10 days before the scheduled Repayment Installment Date, the Trustee will notify the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. The State Treasurer is required, pursuant to Section 67-8727(l)(e)(ii)(A) of the Act, to give notice to the State Tax Commission certifying the amount of the deficiency, at least 5 days prior to the Payment Date of the Series 2006A Bonds.

After receipt of the certified notice from the State Treasurer, the State Tax Commission shall pursuant to the Act: (i) Immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) Cause moneys to be transferred from the State Sales Tax Account pursuant to Section 63-3638, Idaho Code, and deposited in the Bond Bank Authority Fund; provided however, that in no event shall a transfer of moneys from the State Sales Tax Account impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding on the effective date of the Act or subsequently issued as tax anticipation notes pursuant to Section 63-3202, Idaho Code.

If the State has made all or part of a Repayment Installment from moneys transferred from the State Sales Tax Account pursuant to Section 67-8716, Idaho Code, on behalf of the Participant, the Participant shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus 5%; and (c) pay all penalties required by the Act.

Loan Agreement

Income Fund. Each Participant is required under the terms of its Loan Agreement to agree and covenant that all System Revenues shall be received by the Participant in trust and deposited when and as received in a special fund designated as the "Income Fund", which fund is required to be maintain and held separate and apart from other funds of such Participant so long as any Repayment Installments remain unpaid. To the extent a Participant has an existing fund which satisfies these requirements, then such shall be deemed to be the Income Fund. The Participant may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in Permitted Investments.

All System Net Revenues are irrevocably pledged to the payment of the Repayment Installments and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Loan Agreement. The Participants' obligation to pay Repayment Installments and all other Parity Debt, when due, constitutes a first lien on System Net Revenues.

Each Participant shall, from the moneys in the Income Fund, pay the Operation and Maintenance Costs, including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required, as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the Participant at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below:

First, for Repayment Installments. Not later than the date each Repayment Installment is due (the "Repayment Installment Date"), each Participant shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The Participant shall also, from the moneys in the Income Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Debt.

Second, for Surplus. Moneys on deposit in a Participant's Income Fund not necessary to make any Repayment Installments or other Parity Obligation Payments may be expended by such Participant at any time for any purpose permitted by law.

Reserve Fund. The Loan Agreement for each Loan funded with proceeds of the Series 2006A Bonds requires that each Participant establish and maintain a reserve fund that is initially funded from the proceeds of the Loan in an amount equal to the Reserve Requirement. Such Reserve Fund may only be drawn upon if needed to make the Repayment Installments when due. Any Participant making a draw on its reserve fund must notify the Trustee within 10 days of the date of such drawing. Provided further, in the event that a drawing on the said reserve fund in order to make the Repayment Installments by Participant on the Loan results in a balance in such fund lower than the Reserve Requirement, the Participant is required to replenish its reserve fund to the Reserve Requirement from System Net Revenues as soon as possible, but not later than 1 year from the date of such drawing.

Additional Obligations of Participants

The City of Ketchum currently has Parity Debt outstanding, as described in Appendix H attached hereto.

The Participants may at any time enter into any Parity Debt; *provided*:

- (i) Such Participant shall be in compliance with all agreements, conditions, covenants and terms contained in the Loan Agreement, and a Certificate of the Participant to that effect shall have been filed with the Trustee (with the consent of the Series 2006A Bond Insurer this condition shall not apply where the purpose of the proposed Parity Debt is to cure such non-compliance).
- (ii) The Parity Debt shall have been duly authorized pursuant to all applicable laws.

In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in Operation and Maintenance Costs.

There is no limitation on the issuance of any revenue bonds of any Participant payable from its System Net Revenues and secured by a lien and charge on its System Net Revenues if, after the issuance and delivery of

such revenue bonds, none of its Repayment Installments shall be unpaid. Furthermore, there is no limitation of the issuance of any Parity Debt for the purpose of refunding Outstanding Parity Debt or of any Subordinate Obligations.

Financial Guaranty Insurance

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Series 2006A Bonds effective as of the date of issuance of the Series 2006A Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series 2006A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Obligations and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2006A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2006A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2006A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2006A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on an Series 2006A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2006A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2006A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2006A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2006A Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,994,000,000 (unaudited) and statutory capital of \$5,649,000,000 (unaudited) as of December 31, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2006A Bonds.

Ambac Assurance makes no representation regarding the Series 2006A Bonds or the advisability of investing in the Series 2006A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Financial Guaranty Insurance" and "Appendix J – Specimen Financial Guaranty Insurance Policy".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

Rating

As noted on the cover page of this Official Statement, the Authority has received an underlying rating of “Aa2” and an insured rating of “Aaa”, based on the Authority’s receipt of the Financial Guaranty Insurance Policy, for the Series 2006A Bonds from Moody’s Investors Service. Once obtained, the ratings will reflect only the views of the rating agency and an explanation of the significance of the ratings may be obtained from the rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Series 2006A Bonds.

Financial Factors

Each municipal corporation in the State must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

The Authority was formed in 2004 and has not completed a financial report. The Authority anticipates that the audited financial report will be available in the summer of 2006, at which time it will be filed with DisclosureUSA for posting to the nationally recognized municipal securities information repositories (the “NRMSIRs”).

The June 30, 2005 and future financial statements of the Authority may be ordered, when available, by contacting the individual NRMSIRs at the addresses below or by contacting DisclosureUSA.

The Participants’ most current audited financial statements all feature clean opinions from their respective auditors. Copies of the audited financial statements as of September 30, 2005 for the City of Jerome and City of Ketchum, and as of September 30, 2004 for the City of Orofino, are filed with DisclosureUSA, are available from the NRMSIRs and are incorporated herein by reference. The audited financial report as of September 30, 2005 for the City of Orofino is expected to be available by the end of May 2006.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: 609-279-3225
FAX: 609-279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201-346-0701
FAX: 201-947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data
Attn.: NRMSIR
100 Williams Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999
FAX: 212-771-7391
E-Mail: NRMSIR@FTID.com

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: 212-438-4595
FAX: 212-438-3975
E-Mail: nrmsir_repository@sandp.com

The Tax Commission produces an annual report that includes information on State-administered tax rates and distribution of tax receipts. This annual report is available by contacting the Tax Commission in writing to Idaho State Tax Commission, PO Box 36, Boise Idaho 83722-0410, or by obtaining it from the Tax Commission’s internet site, which is currently http://tax.idaho.gov/annual_reports.htm.

Legal Matters and Tax Matters

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Series 2006A Bonds are subject to the approving legal opinion of Tax Counsel, Orrick Herrington and Sutcliffe LLP, San Francisco, California, substantially in the form attached hereto as Appendix B. Tax Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Skinner Fawcett, Boise, Idaho, as Bond Counsel, will provide the final approving legal opinion and disclosure opinion. Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel to the Participants, will provide an opinion with respect to the Loan Agreements and the City Revenue Bonds.

Tax Matters

In the opinion of Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Idaho personal income taxes. In the further opinion of Tax Counsel, interest on the Series 2006A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Tax Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Series 2006A Bonds is less than the amount to be paid at maturity of such Series 2006A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2006A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2006A Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of Idaho personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2006A Bonds is the first price at which a substantial amount of such maturity of the Series 2006A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2006A Bonds accrues daily over the term to maturity of such Series 2006A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2006A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2006A Bonds. Beneficial Owners of the Series 2006A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2006A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2006A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2006A Bonds is sold to the public.

Series 2006A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Series 2006A Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2006A Bonds, like the Premium Series 2006A Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Series 2006A Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2006A Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2006A Bonds. The Authority and the Participants have made certain representations and covenanted to comply with certain

restrictions, conditions and requirements designed to ensure that interest on the Series 2006A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2006A Bonds being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2006A Bonds. The opinion of Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Tax Counsel's attention after the date of execution and delivery of the Series 2006A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2006A Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Loan Agreements, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2006A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Tax Counsel express no opinion as to any Series 2006A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Tax Counsel is of the opinion that interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Idaho personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006A Bonds may otherwise affect an Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Tax Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2006A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2006A Bonds. Prospective purchasers of the Series 2006A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Tax Counsel expresses no opinion.

The opinion of Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Tax Counsel's judgment as to the proper treatment of the Series 2006A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority and the Participants, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Participants have covenanted, however, to comply with the requirements of the Code.

Tax Counsel's engagement with respect to the Series 2006A Bonds ends with the issuance of the Series 2006A Bonds, and, unless separately engaged, Tax Counsel is not obligated to defend the Authority, the Participants or the Beneficial Owners regarding the tax-exempt status of the Series 2006A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and the Participants and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Series 2006A Bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the Participants legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2006A Bonds for audit, or the course or result of such audit, or an audit of Series 2006A Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2006A Bonds, and may cause the Authority, the Participants or the Beneficial Owners to incur significant expense.

The Initiative Process

Title 34, Chapter 18 of the Idaho Code reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Idaho Constitution or enact legislation, can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures which have been passed by the legislature and then referred to the electors by a legislative body, such as the State Legislative Session or the governing body of a city, county or other political subdivision, or by petition prior to its effective date. "Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the signatures of 20 qualified electors of the State in the Idaho Secretary of State's office. The Idaho Attorney General is required by law to review and make recommendations (if any) on the petition before issuing a review to the Secretary of State. The Attorney General, after a specified time period, shall then be directed by the Secretary or State to provide a ballot title for the initiative. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Idaho Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative, during an 18 month circulation period or until April 30 in an election year, whichever occurs first, may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the qualified electors at the general election next preceding the filing of the petition with the Secretary of State.

All petitions for initiative and referendum must contain signatures of registered voters equal to 6 percent of the qualified electors at the last general election (this would be 47,881 signatures based on the last general election, which was held on November 2, 2004) before being considered for final filing.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

Referendum petitions must be filed not more than 60 days after the final adjournment of the session of the State Legislature which passed the bill on which the referendum is demanded.

Historical Initiative Petitions

According to the Elections Division of the Idaho Secretary of State, the number of initiative petitions that have qualified for the ballot in the past decade, and the number that have passed in the general elections in the years since 1992 are as follows:

Historical Initiative Petitions

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2006	0	--
2002	1	1
1998	1	1
1996	4	1
1994	2	1
1992	1	0

NOTE: Eight initiatives have been proposed for the 2006 general election, one of which has been withdrawn and none of which have yet been qualified by the Idaho Secretary of State for inclusion on the ballot.

Source: Elections Division, Idaho Secretary of State; <http://www.idsos.state.id.us/ELECT/INITS/06init00.htm>, April 7, 2006.

Litigation

There is no litigation pending or threatened questioning the validity of the Loans or the Series 2006A Bonds, the power and authority of the Participants to enter into the Loan Agreements or the power and authority of the Authority to issue the Series 2006A Bonds and loan the Series 2006A Bond proceeds to the Participants under the Loan Agreements. There is no litigation pending or threatened that would materially affect the finances of the Participants or affect the Participants' ability to meet debt service requirements on the Loans.

Financial Advisor

In connection with the authorization and issuance of the Series 2006A Bonds, the State has retained Western Financial Group, LLC, Lake Oswego, Oregon, as its financial advisor. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

Underwriting

The Series 2006A Bonds are being purchased by Seattle-Northwest Securities Corporation, the Underwriter.

The purchase contract provides that the Underwriter will purchase all of the Series 2006A Bonds, if any are purchased, at a price of 99.7656 percent of the par value of the Series 2006A Bonds, plus accrued interest. The Series 2006A Bonds will be reoffered at an average price of 100.4656 percent of the par value of the Series 2006A Bonds.

After the initial public offering, the public offering prices may be varied from time to time.

Concluding Statement

The information set forth herein is not to be construed as a contract with the Owners of the Series 2006A Bonds.

(This page left blank intentionally.)

Appendix A

Definitions

(This page left blank intentionally.)

DEFINITIONS

“Accreted Value” means, with respect to any Capital Appreciation Bond and as of any date of calculation, the sum of the Initial Amount of such Bond and the interest accreted and compounded thereon to such date of calculation determined by reference to the applicable Accreted Value Table for the dates indicated thereon and as provided in the Trust Agreement with respect to any other date.

“Accreted Value Table” means, with respect to the Capital Appreciation Bonds, the table attached to the Supplemental Trust Agreement authorizing such Bonds, indicating as to the smallest Authorized Denomination of such Capital Appreciation Bonds, the Initial Amount thereof, the Accreted Value of such Capital Appreciation Bonds on each date on which interest on such Capital Appreciation Bonds is compounded, and the Accreted Value thereof on the maturity date thereof.

“Act” means the Idaho Bond Bank Authority Act, being Idaho Code, Title 67, Chapter 87, as amended.

“Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the provisions of the Trust Agreement concerning the Issuance of Bonds.

“Aggregate Debt Service” shall mean, for all Sales Tax Secured Debt for such period, as of any date of calculation and with respect to any period, the sum of: (1) the interest falling due on such Sales Tax Secured Debt during such period (except to the extent that such interest is payable from the proceeds of such Sales Tax Secured Debt set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Sales Tax Secured Debt during such period; computed on the assumption that no portion of such Sales Tax Secured Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided that if interest on Sales Tax Secured Debt is payable pursuant to a variable interest rate formula, the interest rate on such Sales Tax Secured Debt for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Sales Tax Secured Debt during the preceding thirty-six (36) months preceding the date of calculation, (c) if such Sales Tax Secured Debt has not been outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Sales Tax Secured Debt, or (d) the maximum rate established by any borrowing document authorizing the variable rate debt.

“Ambac Assurance” means, for the Series 2006A Bonds, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all Parity Debt is retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal.

“Authority” means the Idaho Bond Bank Authority created pursuant to the Act and its successors and assigns in accordance to the Trust Agreement.

“Authority Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom –

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

“Authorized City Representative” means the Mayor or City Clerk, or any such officer’s designee, or any other officer of the City duly authorized by the City.

“Authorized Denominations” means the amount or amounts so designated in the Supplemental Trust Agreement authorizing such Bonds, and with respect to the Series 2006A Bonds, \$5,000 or any integral multiple thereof.

“Authorized Representative” means the Executive Director, Secretary or Treasurer of the Authority, or any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

“Bond Insurance Policy” means any policy or policies of insurance or financial guaranty bond insuring the scheduled payment of the principal of and interest on the Bonds when due and issued by the Bond Insurer.

“Bond Insurance Trustee” means, for the Series 2006A Bonds, The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance Corporation, or any successor insurance trustee.

“Bond Insurer” means any insurance company or companies which has or have issued any Bond Insurance Policy insuring the scheduled payment of the principal of and interest on any Outstanding Bonds or portion thereof when due

“Bonds” means the Series 2004A Bonds, the Series 2006A Bonds and all Additional Bonds.

“Bond Owner” or “Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or State of Idaho are authorized to remain closed, or a day on which the Federal Reserve system is closed.

“Capital Appreciation Bonds” means the Bonds of each Series so designated and which bear interest payable as a portion of the Accreted Value of such Bonds at the maturity or earlier redemption or payment thereof.

“Certificate of the Authority” means an instrument in writing signed by the Secretary or Treasurer of the Authority, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by an Authorized City Representative, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers at the request of the Trustee.

“City Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consulting Engineer” means any qualified registered or licensed professional engineer practicing under the laws of the State of Idaho selected by the City.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement executed by the Authority dated the date of issuance and delivery of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution and delivery of the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums of any provider of Bond Insurance, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Current Interest Bonds” means the Bonds of each Series so designated and which bear interest payable on the Interest Payment Dates applicable to such Series.

“Depository” means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

“DEQ” means the Department of Environmental Quality of the State of Idaho.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” shall have the meaning specified in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners.

“Final Compounded Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value thereof on its maturity date.

“Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news, and selected by the Authority.

“First Supplemental Trust Agreement” means the Supplemental Trust Agreement between the Authority and the Trustee for the Series 2004A Bonds.

“Fiscal Year” means the twelve (12) month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Funded Debt” shall mean all Indebtedness of Authority secured by a Parity Lien.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Government Securities” means cash (insured at all times by the Federal Deposit Insurance Corporation) or obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Income Fund” means the fund by that name created pursuant to the provisions of the Loan Agreements concerning the Allocation of System Revenues.

“Indebtedness” mean bonds, notes or other obligations of the Authority issued pursuant to the Act.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, NJ 17302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, NY 10006; Moody’s Investors Service’s “Municipal and Government,” 99 Church Street, 8th Floor, New York, NY 10007, Attention: Municipal News Reports; and Standard & Poor’s Ratings Group’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, NY 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Initial Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond on the date of issuance thereof.

“Interest Payment Date” means with respect to the Bonds of any Series, the interest payment dates for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, and with respect to the Series 2006A Bonds, each March 15 and September 15, commencing September 15, 2006.

“Loan Agreement” means a loan of Series 2006A Bond proceeds to a Participant pursuant to a Loan Agreement.

“Maturity Amount” shall mean, (i) with respect to a Capital Appreciation Bond, the Final Compounded Amount thereof, and (ii) with respect to a Current Interest Bond, the stated principal amount thereof.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

“Moody’s” means Moody’s Investors Service, Inc. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Municipal Bonds” means a bond, note, or other obligation, including a loan, lease or installment sales agreement, issued or undertaken by a Municipality for any purpose authorized by law, as specified in a Supplemental Trust Agreement, and collectively, the loan agreements identified in Exhibit B of the First Supplemental Trust Agreement.

“Municipal Bond Purchase Fund” means the fund by that name established pursuant to the provisions of the Loan Agreements concerning Funds and Accounts.

“Municipality” means any county, city, municipal corporation, school district, irrigation district, sewer district, water district, highway district or other special purpose district or political subdivision of the State established by law as set forth in a Supplemental Trust Agreement.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Operation and Maintenance Costs” means all reasonable and necessary current expenses of the City, paid or accruing, for operating, maintaining and repairing the System, including legal and overhead expenses of the municipality directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries, administrative expenses, labor, and the cost of materials and supplies for current operation, but not including depreciation, legal liabilities not based on contract, the cost of improvements to the System, charges for accumulation of reserves, or payment of Parity Debt or Subordinate Obligations.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement concerning Discharge of Bonds; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Parity Debt” means the Repayment Installments, any Prior Obligations, and any Parity Obligations.

“Parity Lien” means any pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues which is equal and ratable to the lien of the Trust Agreement on or in such Revenues.

“Parity Obligations” means all obligations of the City authorized and executed by the City other than the Repayment Installments, the Parity Obligation Payments which are secured by a pledge of the System Net Revenues on parity with the Repayment Installments as provided in the Loan Agreements.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to the Parity Obligations, which payments are secured by a pledge of System Net Revenues on parity with the Repayment Installments as provided in the Loan Agreements.

“Participants” means each of the Idaho cities shown on the inside cover page of this Official Statement.

“Paying Agent,” when used with reference to any Series of Bonds, means any commercial bank (including the Trustee and its affiliates) or trust company organized under the laws of any state of the United States of America, or any national banking association, designated as paying agent for the Bonds of such Series, and its successor or successors appointed in the manner provided in the Trust Agreement.

“Payment Date” means the date on which interest, Principal Installments or Redemption Price is due on Bonds.

“Permitted Investments” means any of the following:

- (1) Government Securities;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), and Federal Housing Administration and Federal Financing Bank;
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) Federal Home Loan Bank (FHLB) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies approved by Ambac Assurance;
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, including the Trustee, its parent and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase; provided, ratings on holding companies are not considered as the rating of the bank;
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any other affiliates or subdivisions of the Trustee provide investment advisory or other management services;

(7) Pre-refunded Municipal Obligations;

(8) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

(9) Investment agreements approved in writing by Ambac Assurance (supported by appropriate opinions of counsel);

(10) Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee and Ambac Assurance.

“Person” means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pre-refunded Municipal Obligations” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successor thereto; or

(2) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (a)(2) of the definition of Permitted Investments, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Principal Amount” means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of such date of calculation, and (ii) with respect to any Current Interest Bond, the stated principal amount thereof.

“Principal Installment” means, with respect to amounts due for the Bonds of any Series as of any date, (i) the Principal Amount of all Outstanding Bonds of such Series due on such date for which no Sinking Fund Installments have been established, and (ii) the Sinking Fund Installments due on such date for Outstanding Bonds of such Series.

“Principal Office” refers to the office of the Trustee noted in the provisions of the Trust Agreement concerning Notices, except that for payments on Bonds and any exchange, transfer or surrender of Bonds, the Principal Office shall be U.S. Bank National Association, 60 Livingston Avenue, Bond Drop Window, EP-MN-WS3T, St. Paul, Minnesota 55107, or such other or additional offices as the Trustee may designate from time to time.

“Principal Payment Date” means with respect to the Bonds of any Series, the principal payment date for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, which shall be any date on which principal of the Bonds is required to be paid (whether by reason of maturity or redemption).

“Prior Participant Bonds” means outstanding revenue bonds of a Participant.

“Prior Loan” means, collectively, the Department of Health and Welfare Loan Offer, Acceptance and Contract for Wastewater Facility Design and Construction entered with DEQ into on the date and in the amount specified in Schedule 1 of the Loan Agreements, and the City’s promissory note or obligation to DEQ upon full disbursement of the loan.

“Prior Obligations” means the obligations specified in Schedule 1 of the Loan Agreements.

“Project” means the sewer improvement and construction program financed in part by the Prior Loan.

“Purchase Price” means the principal amount of the Municipal Bonds plus accrued interest to and including the date of purchase, as set forth in Exhibit B of the First Supplemental Trust Agreement.

“Rating Agencies” means, as of any date, (a) Moody’s, if Moody’s then maintains a rating on the Bonds, and (b) S&P, if S&P then maintains a rating on the Bonds.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s and S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Rebate Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund.

“Record Date” means with respect to the payment of interest on any Series of Bonds, the date or dates specified as such in the Supplemental Trust Agreement authorizing such Series.

“Redemption Date” means the date fixed for redemption of any Bonds.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Trust Agreement.

“Repayment Amount” means the amount specified in Schedule 1 of the Loan Agreements.

“Repayment Installment” means any amount that the City is required to pay directly to the Trustee pursuant to the provisions of the Loan Agreements concerning Allocation of Revenues as a repayment of the loan made to the City under the Loan Agreements, which amount is determined in accordance thereto.

“Repayment Installment Date” means the dates corresponding to the Repayment Installments, as set forth in Exhibit B of the Loan Agreements.

“Representation Letter” means the blanket letter of representation of the Authority to DTC or any similar letter to a substitute depository.

“Reserve Fund” means the reserve fund for the Loan in the amount of the Reserve Requirement and to be funded from the proceeds of the Loan other funds held of the Participant.

“Reserve Requirement” means an amount not to exceed the lesser of: (i) 10% of the proceeds of the Loan, (ii) maximum annual principal and interest on the Loan, or (iii) 125% of average annual principal and interest on the Loan Obligation, unless otherwise described in Appendices G through I.

“Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

“Revenue Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Revenues” means (i) all amounts payable to the Authority pursuant to the Municipal Bonds, (ii) all investment earnings thereon, (iii) moneys received by the Authority pursuant to Section 67-8727, Idaho Code, (iv) any State Sales Tax Revenues, and (v) all other moneys received by the Authority and designated by the Authority as Revenues. The designation by the Authority of any moneys as Revenue shall specify in which fund, account or subaccount the moneys shall be deposited.

“Sales Tax Secured Debt” means the Bonds, any Additional Bonds, Funded Debt, bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys but not including tax anticipation notes issued by the State of Idaho pursuant to Section 63-3202, Idaho Code.

“Second Supplemental Trust Agreement” means the Supplemental Trust Agreement between the Authority and the Trustee for the Series 2006A Bonds.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, NY 11530, Fax: (516) 227-4039 or -4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, IL 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, PA 19103, Attention: Bond Department, Fax: (215) 496-5058; or such other addresses and/or such other securities depositories as the Authority may designate to the Trustee.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of

variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Series 2006A Bonds” means the Idaho Bond Bank Authority Revenue and Refunding Bonds, Series 2006A, authorized by, and at any time Outstanding pursuant to the Trust Agreement.

“Series 2006A Costs of Issuance Account” means the Account so established by the provisions of the Second Supplemental Trust Agreement concerning the Procedure for the Issuance of Series 2006A Bonds.

“Series 2006A Principal Payment Date” means with respect to the Series 2006A Bonds, each September 15, commencing September 15, 2006.

“Series 2006A Record Date” means with respect to the Series 2006A Bonds, the first (1st) day of the calendar month in which each Interest Payment Date occurs.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the provisions of the Trust Agreement concerning the General Provisions for Issuance of Additional Bonds with respect to any Series of Bonds other than the Series 2004A Bonds, which shall be as provided in a Supplemental Trust Agreement.

“S&P” means Standard & Poor’s Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“State” means the State of Idaho.

“State Sales Tax Act” means Idaho Code, Title 63, Chapter 36, as amended.

“State Sales Tax Moneys” means the moneys collected by the State pursuant to the State Sales Tax Act.

“State Sales Tax Revenues” means the moneys transferred to the Authority from State sales taxes as provided in Section 63-3638 of the State Sales Tax Act and Section 67-8716 of the Act.

“Subordinate Obligations” means the obligations of the City that are subordinate in payment to the Repayment Installments.

“Subordinated Indebtedness” means any bond, note or other evidence of indebtedness, which is expressly made subordinate and junior in right of payment to the Bonds and which complies with the provisions of the Trust Agreement concerning Subordinates Indebtedness. Any such Subordinated Indebtedness shall not be nor be deemed to be Bonds for purposes of the Trust Agreement.

“Subordinated Indebtedness Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Subordinates Indebtedness.

“Subordinated Indebtedness Trust Agreement” means the resolution, indenture, trust agreement or other instrument authorizing the issuance of any Subordinated Indebtedness.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Trust Agreement.

“Surplus Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“System” means all of the City’s sewer system, and its sewer facilities and properties now owned or thereafter acquired, whether situated within or without City boundaries.

“System Net Revenues” means the remaining revenues of the System after deducting Operation and Maintenance Expenses.

“System Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees (including connection fees), rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and investment income allocable to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System.

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Master Trust Agreement, dated as of December 1, 2004 between the Authority and the Trustee, as originally executed and supplemented by the First Supplemental Trust Agreement, dated as of December 1, 2004, and by the Second Supplemental Trust Agreement, dated as of May 1, 2006, and as it may from time to time be further amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trustee” means U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in provisions of the Trust Agreement concerning the Trustee.

“Trust Estate” means, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement: (i) the Revenues and (ii) all amounts on deposit in the funds and accounts held and maintained pursuant to the Trust Agreement including the investments, if any, thereof.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Secretary, Treasurer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

(This page left blank intentionally.)

Appendix B

Form of Tax Counsel Opinion

(This page left blank intentionally.)

May 11, 2006

Idaho Bond Bank Authority,
Boise, Idaho

\$17,415,000 Idaho Bond Bank Authority Revenue Bonds, Series 2006A
(Special Tax Opinion)

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance by the Idaho Bond Bank Authority (the "Authority") of \$17,415,000 aggregate principal amount of its Revenue Bonds, Series 2006A (the "Bonds"). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2004, as supplemented by a Second Supplemental Trust Agreement, dated as of May 1, 2006 (collectively, the "Trust Agreement"), between the Authority and U.S. Bank National Association, as trustee. The Bonds are issued for the purpose of making loans of the proceeds thereof to certain municipalities identified in the Trust Agreement (the "Municipalities") pursuant to loan agreements (the "Loan Agreements"), dated as of May 1, 2006, between the Authority and each of the Municipalities. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the form of Loan Agreement, the Tax Certificate, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Trustee and the Authority, certificates of the Authority, the Trustee, the Municipalities and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In particular, we have relied on the opinion of Skinner Fawcett, bond counsel to the Authority (the "Bond Counsel Opinion"), regarding, among other matters, the validity of the Bonds and the opinion of Moore Smith Buxton & Turke, Chartered, special counsel to the Authority (the "Special Counsel Opinion"), regarding, among other matters, the validity of each Loan Agreement and the exclusion of interest on each Loan Agreement from gross income for federal income tax purposes. In rendering the opinion expressed herein, we expressly have relied on (i) the Bond Counsel Opinion that, among other matters, the Bonds are valid, binding and enforceable in accordance with their terms and (ii) the Special Counsel Opinion that, among other matters, the interest on each Loan Agreement is excluded from gross income for federal income tax purposes. We call attention to the fact that the interest on the Bonds may not be excluded from gross income for federal income tax purposes or exempt from State of Idaho personal income taxes if the Bonds are not valid, binding and enforceable in accordance with their terms.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution thereof by, and validity against, all parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Loan Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Loan Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of Idaho. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the Trust Agreement or the Loan Agreements, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Idaho Bond Bank Authority
May 11, 2006
Page 3

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Idaho personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

(This page left blank intentionally.)

Appendix C

Book Entry Only System

(This page left blank intentionally.)

**SAMPLE OFFICIAL STATEMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC -- bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Participant or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Participant, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Participant or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Participant or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Participant may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Participant believes to be reliable, but Participant takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Agreement

(This page left blank intentionally.)

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Idaho Bond Bank Authority (the "Issuer") and U.S. Bank National Association, Corporate Trust Department (the "Dissemination Agent") in connection with the issuance of the \$17,415,000 Revenue Bonds, Series 2006A (the "Series 2006A Bonds"). The Series 2006A Bonds are being issued pursuant to a Master Trust Agreement dated as of December 1, 2004 (the "Master Trust Agreement"), and a Second Supplemental Trust Agreement dated as of May 1, 2006 between the Issuer and U.S. Bank National Association as trustee (collectively with the Master Trust Agreements, the "Trust Agreement"). Under the Loan Agreements between the Authority and each Participant, annual reports are required to be furnished to the Dissemination Agent for dissemination as provided therein. The Issuer covenants and agrees with the Dissemination Agent as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2006A Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Series 2006A Bonds (including persons holding Series 2006A Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, Corporate Trust Department, which also acts as Trustee for the Series 2006A Bonds or any successor Dissemination Agent designated in writing by the Issuer and which has filed with U.S. Bank National Association, acting in its capacity as Trustee for the Series 2006A Bonds ("Trustee") a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository or DisclosureUSA for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Official Statement" means the Official Statement for the Series 2006A Bonds dated April 26, 2006.

"Owner" shall mean the registered owner or holder of the Series 2006A Bonds as designated in the registration books and records of the Issuer kept and maintained by the Series 2006A Bond Registrar.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2006A Bonds required to comply with the Rule in connection with offering of the Series 2006A Bonds.

"Repository" shall mean the National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity then designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no such repository so designated for the State of Idaho.

"Trustee" means U.S. Bank National Association as Trustee for the Series 2006A Bonds.

SECTION 3. Provision of Annual Reports.

- (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than six months after the end of the Issuer's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2005, provide to each Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement which may be through the Disclosure USA filing procedures of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).
- (b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee for the Series 2006A Bonds. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is unable to provide the Annual Report in compliance with the first sentence of this subsection (b).
- (c) If the Dissemination Agent has not received the Annual Report or is unable by the date specified in Section 3(b) to verify that an Annual Report has been provided to the Repository (if any then exists) by the date required in subsection (a) the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form as Exhibit "A" attached.
- (d) The Dissemination Agent (currently the Trustee) shall:
- (i) determine each year prior to the date for providing the Annual Report the name and address of the Municipal Securities Rulemaking Board and any Repository and file the Annual report as provided in Sections 3(a); and
 - (ii) file a report with the Issuer and the Trustee (in the event the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided or confirming filing through Disclosure USA; and
 - (iii) file the annual report, notices of material listed events and other information received from the Municipalities pursuant to Section 5.9 of the Loan Agreement and perform all obligations set forth for the Trustee and/or dissemination agent under said Section 5.9. The Trustee shall continue to perform all of the obligations of the dissemination agent and Trustee under Section 5.9 of the Loan Agreement regardless of whether the Trustee continues as Dissemination Agent under this Disclosure Agreement.
- (e) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2006.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The financial statements for the Issuer for the most recently ended Fiscal Year, provided that since the Series 2006A Bonds are the first obligations issued by the Issuer and Issuer has had no prior financial activity, its first financial statements will be for its Fiscal Year ending June 30, 2006. Such financial statements will be prepared, in substantial conformance with generally accepted accounting principles applicable to governmental entities in the form required by the State of Idaho. The Issuer will also provide annual information for the State sales tax account as set forth in the tables under the heading "Security for the Series 2006A Bonds -- State Sales Tax Account" of the Official Statement.
2. The balance then remaining as of the end of the most recent Fiscal Year of the Issuer for the Surplus Fund and the Revenue Fund.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2006A Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bond Owners.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2006A Bonds.
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties.
10. substitution of credit or liquidity providers, or their failure to perform.
11. release, substitution, or sale of property securing repayment of the Series 2006A Bonds.

(b) The Dissemination Agent shall, within 1 Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b) the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and any National Repository and State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2006A Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2006A Bonds. If such termination occurs prior to the final maturity of the Series 2006A Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Issuer is not the Dissemination Agent, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment reasonably requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2006A Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2006A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the Owners of the Series 2006A Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2006A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee for the Series 2006A Bonds may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2006A Bonds, shall), or any Owner or Beneficial Owner of the Series 2006A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2006A Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Idaho Bond Bank Authority Office of the State Treasurer Room 102 Statehouse P.O. Box 83720 Boise, Idaho 83720-0091 Attn: Executive Director (208) 332-2997 FAX (208) 332-2961
To the Trustee/ Dissemination Agent:	U.S. Bank National Association Corporate Trust Assurance Department 170 South Main Street, Suite 200 Salt Lake City, UT 84101 Telephone: (801) 534-6083 Fax: (801) 534-6013

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2006A Bonds, and shall create no rights in any other person or entity.

SECTION 14. Fees. The Dissemination Agent shall be paid \$750 per year for its services as Dissemination Agent under this Disclosure Agreement and \$750 per year for its services under Section 5.9 of the Loan Agreement.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2006.

IDAHO BOND BANK AUTHORITY ,
as Issuer

By _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT "A"

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Idaho Bond Bank Authority

Name of Bond Issue: Revenue Bonds, Series 2006A

Date of Issuance: May 11, 2006

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Series 2006A Bonds as required by the Master Trust Agreement dated as of December 1, 2004 and the Second Supplemental Trust Agreement dated as of May 1, 2006. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. Bank National Association
as Dissemination Agent
On behalf of the Issuer

c: Issuer

EXHIBIT "B"

An updated list of Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission may be found at the following internet address:
<http://www.sec.gov/info/municipal/nrmsir.htm>.

(This page left blank intentionally.)

Appendix E

Summary of Certain Provisions of the Trust Agreement and the Form of Loan Agreement

(This page left blank intentionally.)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FORM OF LOAN AGREEMENT

The following summary discussion of selected features of the Master Trust Agreement, the First Supplemental Trust Agreement (together, the "Trust Agreement") and the form of Loan Agreement are made subject to all of the provisions of such documents and to the discussion of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement and the Local Agency Loan Agreements, copies of which are available upon request from U.S. Bank National Association, Corporate Trust Services, 170 South Main Street, Suite 200, Salt Lake City, Utah 84101. Definitions of certain terms are provided in Appendix A of this Official Statement.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Issuance of Bonds

General Provisions for Issuance of Additional Bonds

All (but not less than all) of the Bonds of each Series shall be executed by the Authority for issuance under the Trust Agreement and delivered to the Trustee and thereupon shall be authenticated by the Trustee and be delivered to the Authority or upon its order, but with the exception of the 2004A Bonds, only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

- (a) An executed copy of the Trust Agreement as originally executed and certified to be in full force and effect;
- (b) An opinion of Bond Counsel to the effect that (i) the Trust Agreement constitutes the valid obligation of the Authority; and (ii) the Bonds of such Series constitute the valid and binding special, limited obligations of the Authority, payable solely from the Trust Estate and any other additional source of funds not included in the Trust Estate if so provided in the Trust Agreement or any Supplemental Trust Agreement;
- (c) A written order of the Authority as to the delivery of such Bonds;
- (d) An executed copy of the Supplemental Trust Agreement authorizing such Bonds, which shall, among other provisions, specify:
 - (i) the authorized Principal Amount of the Current Interest Bonds of such Series and the aggregate Initial Amounts for the Capital Appreciation Bonds of each maturity for such Series, and the Series designation of such Bonds;
 - (ii) the purpose or purposes for which such Series of Bonds is being issued, which shall be (1) to provide moneys needed to purchase Municipal Bonds, by depositing into the Municipal Bond Purchase Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding pursuant to the provisions of the Trust Agreement concerning Refunding Bonds, or (3) to provide moneys needed to refund all or part of any other Funded Debt, by depositing

with the Trustee funds in the necessary amount to pay or otherwise discharge all liability of Authority with respect to such Funded Debt in accordance with the terms thereof;

(iii) the date, and the maturity date or dates, of the Bonds of such Series;

(iv) the interest rate or rates on the Current Interest Bonds of such Series, and the Interest Payment Dates therefor;

(v) the dates of compounding interest on the Capital Appreciation Bonds of such Series, together with an Accreted Value Table for such Capital Appreciation Bonds indicating the Initial Amount for the smallest Authorized Denomination for such Capital Appreciation Bonds, the Accreted Value thereof on each date for compounding interest, and the Final Compounded Amount thereof (which Accreted Value Table shall establish the Accreted Value of such Capital Appreciation Bonds for each of the dates indicated in such Accreted Value Table for all purposes of the Trust Agreement, including the payment of such Capital Appreciation Bonds and the Accreted Value thereof on each compounding date for purposes of determining the Accreted Value thereof between such compounding dates, and the Accreted Value of such Capital Appreciation Bonds for any date not indicated on such Accreted Value Table shall be determined by computing and compounding interest in accordance with the Supplemental Trust Agreement authorizing such Capital Appreciation Bonds);

(vi) Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(vii) the Redemption Price or Prices, if any, and the redemption terms for the Bonds of such Series;

(viii) the Sinking Fund Installments, if any, for the Bonds of such Series, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for such Bonds;

(ix) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds in the applicable Representation Letter;

(x) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the Funds and Accounts; and

(xi) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(e) A certificate of an Authorized Representative stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Trust Agreement authorizing their issuance, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority;

(f) A Certificate of the Authority stating that the amount of State Sales Tax Moneys collected by the State during the most recent Fiscal Year for which audited financial statements are available is at least equal to 300% of the Aggregate Debt Service for the Sales Tax Secured Debt (including the Additional Bonds) for the Fiscal Year next succeeding the Fiscal Year in which Additional Bonds are issued; and

(g) With respect to any Series of Refunding Bonds and in lieu of satisfying the requirements of clause (f), a certificate of an Authorized Representative to the effect that the principal and interest payable on all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and the application of the proceeds thereof to the refunding of Bonds, shall not be greater than the principal and interest payable on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

(h) In the case of a Series of Bonds issued for the purposes described in the provisions of the Trust Agreement concerning Issuance of Bonds, written evidence that all actions and conditions required precedent to the discharge of the Funded Debt to be refunded have been taken or exist in accordance with the terms of such Funded Debt.

Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. Refunding Bonds shall be issued in a Principal Amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Supplemental Trust Agreement authorizing such Series of Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied):

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed prior to maturity;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the provisions of the Trust Agreement concerning Discharge of Bonds to the Owners of the Bonds being refunded, if applicable; and

(c) Either (i) sufficient moneys, or (ii) Government Securities in such principal amounts, of such maturities, bearing interest at such rate or rates, and otherwise having such terms and qualifications so that the principal, interest and other payments to be made thereunder shall provide sufficient moneys, or (iii) a combination of (i) and (ii) shall provide sufficient moneys, in each case, as evidenced by a Certificate of an Independent Certified Public Account, to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed, the purchase price of refunded Bonds tendered for purchase, and of the Principal Amount of refunded Bonds not to be redeemed or purchased, together with accrued interest on such Current Interest Bonds to the redemption, purchase, or maturity date or dates, as the case may be, which moneys and Government Securities shall be held by the Trustee in a separate account irrevocably in trust for the respective Owners of the Bonds to be refunded.

Subordinated Indebtedness

The Authority may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of the Authority, subject to the terms and conditions of this section of the Trust Agreement. Such Subordinated Indebtedness may be payable out of and may be secured by a pledge of Revenues and such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor, provided that any such payment and pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of the Bonds and the payments required to be made before the payments into the Subordinated Indebtedness Fund pursuant to the provisions of the Trust agreement concerning Subordinated Indebtedness Fund and to the lien of the pledge made pursuant to this Trust Agreement as security for the Bonds, and provided further that, except in the case of Subordinated Indebtedness the proceeds of which will be used to refund or pay Outstanding Bonds or Subordinated Indebtedness, no such Subordinated Indebtedness may be so issued except upon receipt by the Trustee of a certificate of an Authorized Representative stating that the Authority is not, and will not as the result of the issuance of such Subordinated Indebtedness be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement.

The Subordinated Indebtedness Trust Agreement authorizing each issue of Subordinated Indebtedness shall contain provisions (which shall be binding on all holders of such Subordinated Indebtedness) not more favorable to the holders of such Subordinated Indebtedness than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest due on such Bonds in accordance with the provisions of the Trust Agreement before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Subordinated Indebtedness Fund on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(b) In the event that any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (i) above shall not be applicable), the Owners of all Bonds Outstanding at the time such Subordinated Indebtedness so becomes due and payable because of the occurrence of such an event of default shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(c) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (a) above shall not be applicable), the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds as the same become due and payable before the holders of the Subordinated Indebtedness are entitled to receive, subject to the provisions of (e) below, any payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(d) Neither the Trustee nor any Owner shall be prejudiced in its right to enforce the subordination of the payment of Subordinated Indebtedness from the moneys in the Subordinated Indebtedness Fund by any act or failure to act on the part of the Authority.

(e) The Subordinated Indebtedness may provide that provisions (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Owners of the Bonds on the one hand, and the rights of the holders of Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Indebtedness, the obligation of the Authority to pay the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with the terms of such Subordinated Indebtedness, nor shall anything therein prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the Subordinated Indebtedness or the applicable Subordinated Indebtedness Trust Agreement upon default thereunder, subject to the rights under (a), (b), (c) and (d) above of the Owners of the Bonds to receive cash or securities from the Subordinated Indebtedness Fund otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for such Subordinated Indebtedness is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the Subordinated Indebtedness Trust Agreement securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Trust Agreement.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and shall not be liable to such holders if it shall mistakenly pay over or transfer to Owners of Bonds, the Authority, or any other person, moneys to which any holder of Subordinated Indebtedness shall be entitled by virtue of this section of the Trust Agreement or otherwise, provided, however, that the Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. The Trustee shall not be deemed to have knowledge of the terms and conditions of any Subordinated Indebtedness Trust Agreement and may conclusively rely on written directions and requests signed by an Authorized Representative in making any deposit to or transfer from the Subordinated Indebtedness Fund. Notwithstanding any of the provisions of this section of the Trust Agreement or any other provision of the Trust Agreement, the Trustee shall not at any time be charged with the knowledge of the existence of any facts which would prohibit the making of any payment of moneys in respect of Subordinated Indebtedness or any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from the Authority, or, so long as any Bonds remain Outstanding, from the holders of at least ten percent (10%) in principal amount of any class or category of any Subordinated Indebtedness or any trustee therefor.

Redemption of Bonds

Terms of Redemption

Each Series of Bonds may be made subject to mandatory or optional redemption prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement creating such Series of Bonds.

Selection of Bonds for Redemption

If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Notice of Redemption; Cancellation; Effect of Redemption

Unless otherwise specified in a Supplemental Trust Agreement, notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Bond Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid or as otherwise specified in a Supplemental Trust Agreement, and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Bond Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Trust Agreement concerning Redemption of Bonds shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

Establishment of Funds and Application Thereof

Fund and Accounts

The following Funds and Accounts are established under the Trust Agreement: Municipal Bond Purchase Fund, held by the Trustee, Costs of Issuance Fund, held by the Trustee, Revenue Fund including the Principal Account and Interest Account, held by the Trustee, Subordinated Indebtedness Fund, held by the Trustee, and Surplus Fund, held by the Authority.

Application of Revenues; Flow of Funds

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the provision of the Trust Agreement concerning Tax Covenants and Rebate Fund) are thereby irrevocably pledged to the payment of the interest on and principal of the Bonds as provided therein, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. This pledge shall constitute a pledge of and charge and lien upon the Revenues, which pledge of and charge and lien upon the Revenues is on a parity with any pledge of and charge and lien of Funded Debt, and all other moneys on deposit in the funds and accounts established thereunder (excluding amounts on deposit in the Rebate Fund created pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement. The pledge of and charge and lien upon State Sales Tax Revenues, however, shall be subordinate to the bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code.

The Authority thereby assigns to the Trustee all of the Authority's right, title and interest in the Municipal Bonds as security for payment of the Bonds. All payments on the Municipal Bonds shall be paid directly by each Municipality to the Trustee. Moneys received by the Trustee attributable to a Municipality shall not be used in any manner (directly or indirectly) to make up any deficiency in repayment of any other Municipality's Municipal Bond.

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues and all other amounts pledged thereunder when and as received shall be received by the Authority in trust thereunder for the benefit of the Bond Owners and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund, which fund is thereby created and which fund the Authority thereby agrees and covenants to maintain in trust for Bond Owners so long as any Bonds shall be Outstanding thereunder, subject to allocation required in the next sentence. The Authority shall also, from Revenues, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Funded Debt, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the issuing instrument relating to such Funded Debt, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Funded Debt in accordance with the terms of such Funded Debt.

Subject to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, all Revenues and all other amounts pledged thereunder shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues and all other amounts pledged under the Trust Agreement, whether received by the Authority in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in the provisions of the Trust Agreement concerning Establishment of Funds and Application thereof set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Within the Revenue Fund there shall be established separate, segregated accounts for each Series of Bonds.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is thereby created and each of which the Authority thereby covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account, and
- (2) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof.

Interest Account. At least fifteen (15) days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. At least fifteen (15) days before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the maturity (if more than one such account is established for the Bonds) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in the provisions of the Trust Agreement concerning Redemption of Bonds; provided that, at any time prior to selection of Bonds for redemption, the Trustee may, upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve (12) month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable, whether at maturity or redemption, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the deposits to the Principal Account and the Subordinate Indebtedness Fund as required by this section of the Trust Agreement, the Trustee may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

Subordinated Indebtedness Fund

Amounts in the Subordinated Indebtedness Fund shall, in accordance with written directions signed by an Authorized Representative, be transferred by the Trustee to the trustee or paying agent for Subordinated Indebtedness to be applied as provided in the applicable Subordinated Indebtedness Trust Agreements in amounts necessary to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, and the fees and expenses of each trustee and paying agent under a Subordinated Indebtedness Trust Agreement. The Trustee may conclusively rely on such written directions of an Authorized Representative in making such transfer and shall not be charged with knowledge of the terms and conditions of any Subordinated Indebtedness.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund pursuant to the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee, before making any transfers required by the first

paragraph of this section of the Trust Agreement, shall withdraw from the Subordinated Indebtedness Fund and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

Surplus Fund

If on any date the amount in the Revenue Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in Revenue Fund, or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

Amounts in the Surplus Fund not required to meet a deficiency as required in the first paragraph of this section of the Trust Agreement shall, upon a determination of the Authority, be applied to or set aside for any one or more of the following:

- (a) to reimburse the State for any State Sales Tax Revenues;
- (b) payment of any fees or expenses of the Authority;
- (c) the purchase or redemption of any Bonds, expenses in connection with the purchase or redemption of any Bonds, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with the Bonds;
- (d) payment into the Subordinated Indebtedness Fund;
- (e) the purchase or redemption of any Subordinated Indebtedness, expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with any Subordinated Indebtedness; and
- (f) any lawful purpose free and clear of any trust, lien, pledge or assignment securing Bonds or otherwise existing under the Trust Agreement, including any use required by a financing document establishing a Parity Lien, so long as such expenditure does not affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

Additional Accounts

The Trustee and the Paying Agent may create such other funds, accounts and subaccounts as they may deem necessary to carry out their duties under the Trust Agreement.

State Intercept Procedures; Sales Tax Account Pledge

State Intercept Procedures

If, as a result of the failure of a Municipality to make payment on its Municipal Bonds in a timely manner, there are not sufficient funds available necessary to pay debt service on the Bonds, at least ten (10) days before the Payment Date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) Telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

Except where the Authority has, at the time of issuance, designated a series of the Bonds as not subject to the intercept under Section 67-8728, Idaho Code, upon receipt of the notice provided in the first paragraph above, the State Treasurer is required by Section 67-8727(1)(e) of the Act to immediately intercept any payments from: (i) the receipts of any payment of property taxes; or (ii) sales tax moneys that would be distributed pursuant to Section 63-3638, Idaho Code; or (iii) any other source of operating moneys provided by the State to the Municipality that issued the Municipal Bonds that would otherwise be paid to the Municipality by the State.

In the event the Authority has, at the time of issuance, designated a series of Bonds as not subject to the intercept under Section 67-8728, Idaho Code, or if the State Treasurer will be unable to transfer sufficient intercepted payments for full payment of principal of and interest on the Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A) of the Act, to give notice to the State Tax Commission certifying the amount of the deficiency, at least five (5) days prior to the Payment Date of the Bonds.

Upon receipt of the funds, if any, from the State Treasurer pursuant to the second paragraph above, the Trustee shall deposit the funds in the Revenue Fund for the Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Bonds on the Payment Date, and then to the State for reimbursement of any moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

Sales Tax Account

If the Authority has, at the time of issuance, designated a series of Bonds as not subject to the intercept under Section 67-8728, Idaho Code, or if moneys expected to be intercepted pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures are expected to be insufficient to reimburse the State for its payments in respect of the Municipal Bonds, the State Treasurer shall certify to and give notice to the State Tax Commission of the amount of the deficiency pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures.

After receipt of the certified notice from the State Treasurer, the State Tax Commission shall pursuant to the Act: (i) Immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) Cause moneys to be transferred from the State Sales Tax Account pursuant to Section 63-3638, Idaho Code, and deposited in the Bond Bank Authority Fund; provided however, that in no event shall a transfer of moneys from the State Sales Tax Account impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding on the effective date of the Act or subsequently issued as tax anticipation notes pursuant to Section 63-3202, Idaho Code.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund and applied to

pay principal of and interest on the Bonds pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

Covenants of the Authority

Punctual Payment and Performance

The Authority will punctually pay out of the Revenues the interest on and principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained therein and in the Bonds.

Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the provisions of the Trust Agreement concerning Issuance of Bonds and Permitted Encumbrances therein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided therein.

Tax Covenants; Rebate Fund

In addition to the funds and accounts created pursuant to the provisions of the Trust Agreement concerning Funds and Accounts, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained thereunder designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Trust Agreement concerning Application of Revenues and Flow of Funds relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section of the Trust Agreement and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund with respect to a Series of Bonds after redemption and payment of all such Series of Bonds and all other amounts due under the Trust Agreement relating to such Series of Bonds, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses of the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not

violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Notwithstanding any provisions of this section of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section of the Trust Agreement or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Trust Agreement, and, notwithstanding the provisions of the Trust Agreement concerning the Trustee, the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The foregoing provisions of this section of the Trust Agreement shall not be applicable to any Series of Bonds or the proceeds thereof that the Authority determines upon the issuance thereof are to be taxable bonds, the interest on which is intended to be included in the gross income of the Owner thereof for federal income tax purposes.

Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate.

Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Bond Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any reasonable attorney's fees or other reasonable expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost,

damage or expense resulting from the negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured thereby may have been fully paid and satisfied.

Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Bond Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Bond Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Covenants Regarding Municipal Bonds

Each Municipal Bond shall contain the following provisions:

(a) In the event the Municipality is unable to transfer the scheduled debt service payment on its Municipal Bond to the Trustee the Municipality shall, at least fifteen (15) days before the scheduled payment date, notify the Trustee and the State Treasurer of such non-payment by telephone, a writing sent by facsimile transmission, and a writing sent by first-class United States mail.

(b) Except where the Authority has, at the time of issuance, designated a series of the Bonds as not subject to the intercept under Section 67-8728, Idaho Code, the Municipality shall consent and agree to the State interpret procedures contained in Section 67-8727, Idaho Code.

Amendments to Municipal Bonds

The Authority shall not supplement, amend, modify or terminate any of the terms of the Municipal Bonds, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bond Owners or result in any material impairment of the security thereby given for the payment of the Bonds, (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) if the Trustee first obtains the written consent of the Bond Owners of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of payments to be made to the Authority or the Trustee by the Municipalities pursuant to the Municipal Bonds, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Municipal Bonds in each case without the written consent of all of the Bond Owners of the Bonds then Outstanding. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions regarding such amendments and may rely on a written opinion of such counsel in making the determination pursuant to this section of the Trust Agreement.

State Pledges

Pursuant to Section 67-8724 of the Idaho Code, the State pledges and agrees with the Owners of the Bonds that it will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Owners, or in any way impair the security, rights and

remedies of the Owners of the Bonds until the Bonds, together with the interest thereon, are fully paid and discharged. The State pledges to and agrees with the Owners of the Bonds that the State will not alter, impair or limit the rights vested by the sales tax account pledge provided in Sections 67-8716 and 63-3638, Idaho Code, with respect to the Bonds until the Bonds, together with applicable interest, are fully paid and discharged.

Compliance with Continuing Disclosure Agreement

The Authority thereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Bond Owners of at least 25% aggregate principal amount in Outstanding Bonds, and upon receipt of indemnification satisfactory to it, shall) or any Bond Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this section of the Trust Agreement. For purposes of this section of the Trust Agreement, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Permitted Encumbrances

The Authority will not create or suffer to be created any pledge, lien or charge senior to the lien of the Trust Agreement upon all or any part of the Revenues.

Notwithstanding any other provision of the Trust Agreement, the Authority may incur Funded Debt, subject to the following conditions:

(a) The Authority shall be in full compliance with all covenants and undertakings set forth in the Trust Agreement or any Supplemental Trust Agreement; and

(b) There shall be delivered a Certificate of the Authority evidencing satisfaction of the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds.

The Authority may issue Subordinated Indebtedness pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness.

Events of Default and Remedies of Bond Owners

Events of Default

The following events shall be Events of Default:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee; *provided*, it shall not constitute an Event of Default under this subsection of the Trust Agreement if the default cannot practicably be remedied within thirty (30) days after the Authority receives notice of the default, so long as the Authority promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied; or

(d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

The Trustee shall promptly notify all Bondholders by first class mail of any such event of default which is continuing of which a Responsible Officer has actual knowledge or written notice.

Institution of Legal Proceedings by Trustee

If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Bond Owners of a majority in principal amount of the Bonds then Outstanding, and in each case upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Bond Owners of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted under Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder, including but not limited to actions against the State Treasurer and State Tax Commission to enforce its obligations under the Act.

Non-Waiver

Nothing in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners or in any other provision thereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Bond Owners of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Bond Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Bond Owner to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bond Owners by the Act or by the provisions of the Trust Agreement concerning Events of Default and

Remedies of Bond Owners may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee and any Bond Owner shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact

Any action, proceeding or suit which any Bond Owner shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Bond Owners, whether or not the Trustee is a Bond Owner, and the Trustee is thereby appointed (and the successive Bond Owners, by taking and holding the Bonds issued thereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Bond Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Bond Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Bond Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Bond Owners' Right to Sue

No Bond Owner of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Bond Owner shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the provisions of the Trust Agreement concerning Events of Default; (b) the Bond Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Bond Owners shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are thereby declared, in every case, to be conditions precedent to the exercise by any Bond Owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Bond Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Bond Owners of the Outstanding Bonds.

Amendment of the Trust Agreement and Loan Agreements

Amendment of the Trust Agreement Without Bond Owner Consent

The Trust Agreement and the rights and obligations of the Authority and of the Bond Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding upon the written direction of the Authority. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement, the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bond Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders, provided an Opinion of Bond Counsel is delivered as set forth in the provisions of the Trust Agreement concerning Required or Permitted Opinions of Counsel, for any purpose that the Authority determines will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved therein to or conferred therein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Authority may deem desirable or necessary;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in provisions of the Trust Agreement concerning the Issuance of Bonds (which shall be deemed not to adversely affect Bondholders);

(d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939; or

(e) to add to the agreements and covenants in the Trust Agreement, and to make any necessary changes therein, to include provisions relating to the Idaho Municipal Bond Bank Authority Reserve Fund, created pursuant to Section 67-8713, Idaho Code, in the event moneys are appropriated by the State legislature for the purpose of such fund.

(f) to preserve the tax-exempt status of the Bonds, or any of them.

(g) to make any change approved by the Bond Insurer and which does not involve a change described in provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent.

(h) to conform to the terms and conditions of any financing documents necessary for the issuance of Funded Debt, provided such modification shall not materially adversely affect the interest of the owners of the Bonds, as set forth in a Certificate of Authority filed with the Trustee.

(i) to modify, alter, amend or supplement the Trust Agreement in any other respect which is not adverse to the Bond Owners and which does not involve a change described in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent.

Amendment of the Trust Agreement With Bond Owner Consent

Except for any Supplemental Trust Agreement entered into pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent, and subject to the terms and provisions contained in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreements and not otherwise, the Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), to consent to and approve the execution by the Authority and the Trustee of any Supplemental Trust Agreement as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any Supplemental Trust Agreement; provided, however, that nothing in the Trust Agreement contained shall permit, or be construed as permitting, without the consent of each Owner affected, (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement.

If at any time the Authority and the Trustee shall determine to enter into any Supplemental Trust Agreement for any of the purposes of this section of the Trust Agreement, the Trustee shall cause notice of the proposed Supplemental Trust Agreement to be mailed by registered or certified mail, postage prepaid to the Bond Insurer and the Bond Owners of the Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the principal office of the Trustee for inspection by all Bond Owners.

After the date of the mailing of such notice, the Authority and the Trustee may enter into such Supplemental Trust Agreement, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), in substantially the form described in such notice, only if there shall have first been filed with the Trustee

(1) the written consents of Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and (2) the Opinion of Bond Counsel as set forth in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreements. Any such consent shall be binding upon the Bond Owners of such Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner thereof has notice thereof, unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee prior to the execution and delivery of such Supplemental Trust Agreement.

If the Bond Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved the execution thereof as provided in the Trust Agreement, no Owner of any Bond shall have any right to object to the execution and delivery of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin and restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution any Supplemental Trust Agreement pursuant to the provisions of this section of the Trust Agreement, the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Trustee and all Bond Owners of the Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Trust Agreement, subject in all respects to such modifications and amendments.

Endorsement or Replacement of Bonds After Amendment

Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Bond Owner of any Outstanding Bonds and presentation of his Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Bond Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Bond Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment of Loan Agreements

The Authority and the Municipality with which it has executed a Loan Agreement may enter into any amendment, change or modification of such Loan Agreement (a) as may be required by the provisions of such Loan Agreement or the Trust Agreement; (b) for the purpose of curing any ambiguity or formal defect or omission; (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement; (d) to preserve the tax-exempt status of interest on the Bonds, or any of them; (e) to modify, alter, amend or supplement such Loan Agreement in any other respect which is not adverse to the Bond Owners.

Required and Permitted Opinions of Counsel

The Authority and the Trustee shall be provided with and may rely on an Opinion of Bond Counsel to the effect that any Supplemental Trust Agreement entered into by the Authority and the Trustee complies with the provisions of the Trust Agreement concerning Amendment of the Trust

Agreement and Loan Agreements and an opinion of Bond Counsel that any such Supplemental Trust Agreement does not adversely affect the tax-exempt status of interest on the Bonds. The Authority and the Trustee shall be provided with and may rely upon an Opinion of Bond Counsel to the effect that any proposed amendment, change or modification to a Loan Agreement will comply with the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements and an opinion of Bond Counsel that any such amendment, change or modification does not adversely affect the tax-exempt status of interest on the Bonds. No Supplemental Trust Agreement or amendment, change or modification to a Loan Agreement or the Bonds shall be effective until the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement or such amendment or modification is permitted by the Act and will not adversely affect the tax-exempt status of interest on the Bonds.

Investment of Moneys

Investment of Moneys

The Trustee shall invest and reinvest any moneys held as part of the Revenue Fund upon the written direction of an Authorized Representative in Permitted Investments. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund for which they were made. The interest accruing thereon, any profit realized from such investments and any loss resulting from such investments shall be credited or charged to such fund. The Trustee shall sell and reduce to cash a sufficient amount of such investments of the Revenue Fund whenever the cash balance in the Revenue Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due. Unless otherwise provided in a Supplemental Trust Agreement, the Trustee may commingle any of the funds or accounts established pursuant to the Trust Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by the Trust Agreement. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this section of the Trust Agreement. The Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Authority the right to receive brokerage confirmations of the security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Trust Agreement.

Investments; Arbitrage

The Trustee may make any and all investments permitted by the provisions of the Trust Agreement concerning Investment of Moneys through its own bond department. The Trustee may act as principal or agent in the making or disposing of any investments, and may act as sponsor, advisor or manager in connection with any such investments. The provisions of this subsection of the Trust Agreement shall apply to affiliates of the Trustee. As and when any amount invested pursuant to the provisions of the Trust Agreement concerning Investment of Moneys may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

Defeasance

Discharge of Bonds

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Bond Owners of all or a portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and the Authority shall pay in full all other amounts due thereunder, then the Bond Owners of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided therein, and all agreements, covenants and other obligations of the Authority to the Bond Owners of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds and for the payment of all other amounts due thereunder.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the first paragraph of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the provisions of the Trust Agreement regarding Redemption of Bonds, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Authority Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) an Opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding under the Trust Agreement, and (4) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Bond Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section of the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Series 2006A Bonds shall be paid by Ambac Assurance pursuant to the Bond Insurance Policy, the Series 2006A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and all covenants, agreements and other obligations of the Authority to the Holders of the Series 2006A Bonds shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such Holders.

Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if

deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Boise, Idaho, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be deposited in the Surplus Fund for the Authority.

Miscellaneous

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants in the Trust Agreement contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided therein. The Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided therein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Benefits of the Trust Agreement Limited to Parties and Third Party Beneficiaries

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee, and the Bond Owners any right, remedy or claim under or by reason thereof. Any agreement or covenant required therein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Authority, the Trustee, and the Bond Owners.

Ambac Assurance, as issuer of the Bond Insurance Policy for the Series 2006A Bonds, is a third party beneficiary of the Trust Agreement.

Waiver of Personal Liability

No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing in the Trust Agreement contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or thereby.

Insurance Provisions for Series 2006A Bonds

Consent of Ambac Assurance with Respect to the Series 2006A Bonds

(a) Any provision of the Trust Agreement expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance thereunder without the prior written consent of Ambac Assurance, so long as Ambac Assurance is not in default under the Bond Insurance policy and an act of bankruptcy with respect to Ambac Assurance shall not have occurred and be continuing. Ambac Assurance reserves the right to charge the Authority a fee for any consent or amendment to the Trust Agreement while the Bond Insurance Policy is outstanding.

(b) Unless otherwise provided in the Trust Agreement, Ambac Assurance's consent shall be required in lieu of the consent of the Holders of Series 2006A Bonds, when required, for the following purposes: (i) execution and delivery of any supplemental Trust Agreement, (ii) removal of the Trustee and selection and appointment of any successor trustee, and (iii) initiation or approval of any action not described in clauses (i) and (ii) which requires Holder consent.

(c) In the event of any reorganization or liquidation, Ambac Assurance shall have the right to vote on behalf of all Holders who hold Ambac Assurance-insured Bonds absent a default by Ambac Assurance under the applicable Bond Insurance Policy insuring such Bonds.

(d) Notwithstanding any other provision of the Trust Agreement, in determining whether the rights of the Holders of the Series 2006A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the Holders of the Series 2006A Bonds as if there were no Bond Insurance Policy.

Notices to Ambac Assurance

(a) While the Bond Insurance Policy for the Series 2006A Bonds is in effect, the Authority or the Trustee, as appropriate, shall furnish to Ambac Assurance, upon request, the following:

(1) A copy of any financial statement, audit and/or annual report of the Authority;

(2) A copy of any notice to be given to the Holders of the Series 2006A Bonds, including, without limitation, notice of any redemption of or defeasance of the Series 2006A Bonds, and any certificate rendered pursuant to the Trust Agreement relating to the security for the Series 2006A Bonds;

(3) To the extent that the Authority has entered into a continuing disclosure agreement with respect to the Series 2006A Bonds, Ambac Assurance shall be included as a party to be notified; and

(4) Such additional information it may reasonably request.

Upon request, such information shall be delivered at the Authority's expense to the attention of the Surveillance Department, unless otherwise indicated.

(b) The Trustee shall notify Ambac Assurance of any failure of the Authority to provide relevant notices and certificates. Notwithstanding any other provision of the Trust Agreement, the Trustee shall immediately notify Ambac Assurance if at any time there are insufficient moneys to

make any payments of principal and/or interest on the Series 2006A Bonds as required and immediately upon the occurrence of any Event of Default thereunder. Such information in this paragraph shall be delivered at the Authority's expense to the attention of General Counsel's Office.

(c) The Authority will permit Ambac Assurance to discuss the affairs, finances and accounts of the Authority or any information Ambac Assurance may reasonably request regarding the security for the Series 2006A Bonds with appropriate officers of the Authority. The Authority will permit Ambac Assurance to have access to the facilities financed or refinanced with proceeds of the Series 2006A Bonds, and to have access to and to make copies of all books and records relating to the Series 2006A Bonds at any reasonable time.

(d) Notices to Ambac Assurance shall be sent to: Ambac Assurance Corporation, One State Street Plaza, New York, NY 10004, Telephone: 212-668-0340.

Payment Procedure Pursuant to the Bond Insurance Policy for the Series 2006A Bonds

As long as the Bond Insurance Policy for the Series 2006A Bonds shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Trustee will determine whether there will be sufficient funds in the Revenue Fund to pay the principal of or interest on the Series 2006A Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such Revenue Fund, the Trustee shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Series 2006A Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified Ambac Assurance at least one (1) day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Series 2006A Bonds on or before the first (1st) day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to Ambac Assurance as provided in clause (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to the Bond Insurance Trustee, the registration books of the Authority maintained by the Trustee and all records relating to the Revenue Fund maintained under this Trust Agreement.

(c) The Trustee shall provide Ambac Assurance and the Bond Insurance Trustee with a list of Holders of the Series 2006A Bonds entitled to receive principal or interest payments from Ambac Assurance under the terms of the Bond Insurance Policy, and shall make arrangements with the Bond Insurance Trustee (i) to mail checks or drafts to the Holders of the Series 2006A Bonds entitled to receive full or partial interest payments from Ambac Assurance, and (ii) to pay principal upon the Series 2006A Bonds surrendered to the Bond Insurance Trustee by the Holders of the Bonds entitled to receive full or partial principal payments from Ambac Assurance.

(d) The Trustee shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify Holders of the Series 2006A Bonds entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Bond Insurance Trustee, in form satisfactory to the Bond Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurance Trustee to

permit ownership of such Bonds to be registered in the name of Ambac Assurance) for payment to the Bond Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Bonds for payment thereon first to the Trustee who shall note on such Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurance Trustee, to the Bond Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 2006A Bond which has become due for payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all Holders of Series 2006A Bonds that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Series 2006A Bonds which have been made by the Trustee and subsequently recovered from Holders and the dates on which such payments were made.

(f) In addition to those rights granted Ambac Assurance under the Trust Agreement, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Series 2006A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee upon receipt from Ambac Assurance of proof of the payment of interest thereon to the Holders of the Series 2006A Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee upon surrender of the Series 2006A Bonds by the Holders thereof, together with proof of the payment of principal thereof.

Control by Ambac Assurance with respect to the Series 2006A Bonds

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined therein, and so long as Ambac Assurance is not in default under the Bond Insurance Policy, and an act of bankruptcy with respect to Ambac Assurance shall not have occurred and be continuing, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of Series 2006A Bonds or the Trustee for the benefit of the Holders of Series 2006A Bonds under the Trust Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE FORM OF LOAN AGREEMENT

Loan to City; Repayment Provisions

Loan to City

The Authority covenants and agrees, upon the terms and conditions in the Loan Agreements, to make a loan of the amount specified in the Loan Agreement attached thereto to the City for the purpose of financing or refinancing the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the same terms and conditions contained in the Loan Agreements and the Trust Agreement and will cause the Bond proceeds to be applied as provided in provisions of the Loan Agreements concerning the Loan to the City and Repayment Provisions. The City shall issue and sell its City Revenue Bond to the Authority as evidence of its Loan obligation under the Loan Agreement and the payments due on the City Revenue Bond shall equal the Repayment Installments under the Loan Agreement.

Repayment and Payment of Other Amounts Payable

The City covenants and agrees to pay to the Trustee the Repayment Installments on the loan to the City pursuant to the provisions of the Loan Agreements concerning the Loan to City, on the Repayment Installment Dates as set forth in an exhibit of the Loan Agreements.

Any amount held by the Trustee in the Revenue Fund on the City's behalf on any Repayment Installment Date under the Loan Agreements shall be credited against the Repayment Installment due on such date to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund on the City's behalf are sufficient to pay all of the Repayment Installments, the City shall be relieved of any obligation to make any further payments under the provisions of this section of the Loan Agreements. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund on the City's behalf is insufficient to make any required Repayment Installment on any Repayment Installment Date, the City shall forthwith pay such deficiency as a Repayment Installment under the Loan Agreement.

Upon written request of the Trustee, the City shall pay any Repayment Installment directly to the Trustee.

Unconditional Obligation

The obligations of the City to make the payments required by the provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts and to perform and observe the other agreements on its part contained in the Loan Agreements shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreements, the City shall pay absolutely net the payments to be made on account of the loan as prescribed in provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off; provided, that the City's obligation to make payments under the Loan Agreement shall be limited to the extent of System Net Revenues and is not a general obligation of the City. Until such time as the Repayment Installments shall have been paid in full (or provision for the payment thereof shall have been made subject to the terms and conditions contained in the Trust Agreement concerning Defeasance), the City (i) will not suspend or discontinue any payments provided for in provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts; (ii) will perform and observe all of its other covenants contained in the Loan

Agreements; and (iii) will not terminate the Loan Agreements for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Idaho or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreements or the Trust Agreement, except to the extent permitted by the Loan Agreements.

Assignment of Authority's Rights

As security for the payment of the Bonds, the Authority will assign to the Trustee the Authority's rights, but not its obligations, under the Loan Agreements, including the right to receive payments thereunder (except (i) the rights of the Authority to receive notices under the Loan Agreements, (ii) the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification and certain other purposes under the provisions of the Loan Agreement concerning Notice to Trustee and Authority, and Indemnification, and (iii) the right of the Authority to give approvals or consents pursuant to the Loan Agreements) and the Authority thereby directs the City to make the payments required thereunder (except such payments for fees, expenses and indemnification) directly to the Trustee. The City thereby assents to such assignment and agrees to pay the Repayment Installments directly to the Trustee (subject to the provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts Payable) without defense or set-off by reason of any dispute between the City and the Authority or the Trustee.

Amounts Remaining in Funds

It is agreed by the parties to the Loan Agreements that after payment in full of (i) the Repayment Installments, or after provision for such payment shall have been made as provided in the terms and conditions contained in the Trust Agreement concerning Defeasance, (ii) the fees and expenses of the Authority in accordance with the Loan Agreements, (iii) the fees, charges and expenses of the Trustee, the Registrar and Paying Agent in accordance with the Trust Agreement and the Loan Agreements and (iv) all other amounts required to be paid under the Loan Agreements and the Trust Agreement, any amounts remaining in any fund held by the Trustee under the Trust Agreement shall belong, subject to the requirements of the Trust Agreement concerning Tax Covenants and the Rebate Fund, to the Authority and be paid to the Authority by the Trustee.

Timeliness of Payments; Repayment

(a) The City thereby consents and agrees to the repayment procedures contained in Section 67-8727, Idaho Code, and as set forth in the Loan Agreements.

(b) If the City is unable to transfer all of its Repayment Installment to the Trustee on the Repayment Installment Date (which is fifteen (15) days before the Series 2006A Bond payment date), the City shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Bonds of the Authority that are secured by the Loan Agreements at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall transfer any available funds pledged to secure payment of the Bonds in sufficient amounts to make up any shortfall in the amount necessary to pay debt service on the Bonds on the scheduled payment date and deposit such amount in the debt service payment fund for those Bonds.

(c) If, as a result of the failure of the City to make Repayment Installments in a timely manner, the Trustee shall transfer funds pursuant to paragraph (b) of this section of the Loan

Agreements to pay debt service on the Bonds or if there are not sufficient funds available pursuant to paragraph (b) of this section of the Loan Agreements to make up for any shortfall in the amount necessary to pay debt service on the Bonds, at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

(d) If the State has made all or part of a Repayment Installment on behalf of the City from moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, the City shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus five percent (5%); and (c) pay all penalties required by the Act.

(e) The State Treasurer shall establish the reimbursement interest rate after considering the circumstances of any prior draws by the City on the State, market interest and penalty rates, and the cost of funds, if any, that were required to be borrowed by the State to make Repayment Installments.

(f) The State Treasurer may, after considering the circumstances giving rise to the failure of the City to make its Repayment Installments in a timely manner, impose on the City a penalty of not more than five percent (5%) of the amount paid by the State for each instance in which a payment by the State is made.

(g) (i) If the State Treasurer determines that amounts obtained under this section of the Loan Agreements will not reimburse the State in full within one (1) year from the State's payment of the City's scheduled Repayment Installments, the State Treasurer shall, subject to clause (ii) thereof, pursue any legal action, including mandamus, against the City to compel it to take any action required by the Act, including:

(1) To the extent permitted by law, provide Slystem Net Revenues to pay Repayment Installments when due; and

(2) Meet its repayment obligations to the State.

(ii) In pursuing its rights under paragraph (i) of this subsection (h), the State shall have the same substantive and procedural rights as would a holder of the Loan Agreements.

(iii) The attorney general shall assist the State Treasurer in these duties.

(iv) The City shall pay the attorney's fees, expenses and costs of the State Treasurer and the State attorney general.

Security

Pledge of System Net Revenues

All System Net Revenues and all amounts on deposit in the Income Fund are irrevocably pledged to the payment of the Repayment Installments as provided in the Loan Agreements and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Loan Agreement. This pledge, together with the pledge created by all other Parity Debt, shall constitute a first lien on System Net Revenues and, subject to application of amounts on deposit therein as permitted in the Loan Agreement, the Income Fund and other funds and accounts created thereunder for the payment of the Repayment Installments and all other Parity Debt in accordance with the terms thereof and of the Trust Agreement.

Allocation of System Revenues

In order to carry out and effectuate the pledge and lien contained in the Loan Agreement, the City agrees and covenants that all System Revenues shall be received by the City in trust thereunder and shall be deposited when and as received in a special fund designated as the "Income Fund", which fund is thereby established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Repayment Installments remain unpaid. To the extent the City has an existing fund which satisfies the foregoing requirements, then such shall be deemed to be the "Income Fund" and the City shall not be required to create a new fund. The City may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in investments permitted by State law. Moneys in the Income Fund shall be used and applied by the City as provided in the Loan Agreement.

The City shall, from the moneys in the Income Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this section of the Loan Agreements.

(a) Repayment Installments. Not later than each Repayment Installment Date, the City shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The City shall also, from the moneys in the Income Fund, transfer to the applicable trustee, if any, for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Obligation.

(b) Surplus. Moneys on deposit in the Income Fund not necessary to make any of the payments required above, may be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations.

Additional Parity Debt

The City may at any time enter into any Parity Debt; *provided:*

(a) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Loan Agreements, and a Certificate of the City to that effect shall have been filed with the Trustee;

(b) The Parity Debt shall have been duly authorized pursuant to all applicable laws;

(c) (i) DEQ approves a loan application from the City, or (ii) a report of the Consulting Engineer shows that (A) the System Net Revenues for the projected life of the Parity Debt will be at least equal to 125% of the Maximum Annual Debt Service, or (B) the System Net Revenues for the Fiscal Year immediately preceding the date of the resolution authorizing the Parity Debt shall have been sufficient to pay an amount representing 125% of the Maximum Annual Debt Service; provided, that there may be added to such System Net Revenues an allowance for net revenues from any improvements to the System to be made with the proceeds of such Parity Debt and also for net revenues from any improvements to the System which have been made from money from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 75% of the estimated additional average annual net revenues to be derived from each such improvement for the first 36 month period in which each such improvement is in operation; and

(d) In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in Operation and Maintenance Costs.

Nothing contained in this section of the Loan Agreements shall limit the issuance of any revenue bonds of the City payable from the System Net Revenues and secured by a lien and charge on the System Net Revenues if, after the issuance and delivery of such revenue bonds, none of the Repayment Installments shall be unpaid. Furthermore, nothing contained in this section of the Loan Agreements shall limit the issuance of any Parity Debt for the purpose of refunding Outstanding Parity Debt or of any Subordinate Obligations.

Reserve Fund

There shall be established from the proceeds of the Loan a Reserve Fund held by the City funded in an amount equal to the Reserve Requirement to be maintained as a debt service reserve fund for the Loan as evidenced by the City Revenue Bond. Such Reserve Fund shall be drawn upon if needed to make the Repayment Installments. The City shall notify the Trustee of any drawing on the Reserve Fund within ten (10) days of the date of such drawing. Provided further, in the event that a drawing on the said Reserve Fund in order to make the Repayment Installments by City on the Loan results in a balance in such fund lower than the Reserve Requirement, the City shall replenish said account to the Reserve Requirement from System Net Revenues as soon as possible but not later than one (1) year from the date of such drawing.

Special Covenants And Agreements

Punctual Payment

The City will punctually pay all Repayment Installments in strict conformity with the terms of this section of the Loan Agreements to the extent of System Net Revenues and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms thereof.

Legal Existence

The City will use all means legally available to maintain its existence.

Against Encumbrances

The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the System Net Revenues except as provided in the Loan Agreements, and will not issue any obligations secured by System Net Revenues senior to the Parity Debt; *provided*, that the City may at any time issue any Subordinate Obligations.

Against Sale or other Disposition of the System

The City will not sell or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Net Revenues, unless the Repayment Installments have been fully paid or provision has been made therefor in accordance to the terms and conditions contained in the Trust Agreement concerning Defeasance. The City will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate System Net Revenues for the payment of the Repayment Installments, or which would otherwise impair the rights of the Owners with respect to the System Net Revenues or the operation of the System.

Maintenance and Operation of System

The City agrees that as long as it owns the Project it will (i) maintain, or cause to be maintained, the Project in as reasonably safe condition as its operations shall permit and (ii) maintain, or cause to be maintained, the Project in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Right of Access to the Project

The City agrees that during the term of the Loan Agreements, the Authority, the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to enter upon the site of the Project described in Exhibit A thereto to examine and inspect such Project; provided, however, that this right is subject to federal and State of Idaho laws and regulations applicable to such site. The rights of access thereby reserved to the Authority and the Trustee may be exercised only after such agent shall have executed release of liability (which release shall not limit any of the City's obligations thereunder) and secrecy agreements if requested by the City in the form then currently used by the City, and nothing contained in this section of the Loan Agreements or in any other provision of the Loan Agreements shall be construed to entitle the Authority or the Trustee to any information or inspection involving the confidential knowledge of the City.

Tax Exempt Status of Bonds

It is the intention of the parties to the Loan Agreements that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes. To that end, the covenants and agreements of the Authority and the City in this section of the Loan Agreements and in the Tax Certificate are for the benefit of the Trustee and each and every person who at any time will be a holder of the Bonds. Without limiting the generality of the foregoing, the City and the Authority agree that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to the Rebate Requirement. This covenant shall survive payment in full or defeasance of the Bonds. The City

specifically covenants to pay or cause to be paid for and on behalf of the Authority to the United States at the times and in the amounts determined under the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund the Rebate Requirement as described in the Tax Certificate and the Trust Agreement. The Authority shall not be liable to make any such payment except from funds provided by the City for such purpose.

The Authority covenants and agrees that it has not taken and will not take any action which results in interest to be paid on the Bonds being included in gross income of the holders of the Bonds for federal income tax purposes, and the City covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action which will cause the interest on the Bonds to become includable in gross income for federal income tax purposes. The City acknowledges having read provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund and agrees to perform all duties imposed on it by such section, by this section of the Loan Agreements and by the Tax Certificate. Insofar as this of the Trust Agreement and the Tax Certificate impose duties and responsibilities on the Authority or the City, they are specifically incorporated into the Loan Agreements by reference.

Notwithstanding any provision of the Loan Agreements concerning the Tax Exempt State of Bonds or the provisions of the Trust Agreement concerning the Amount of Prepayment, if the City shall provide to the Authority and the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the provisions of the Loan Agreements concerning the Tax Exempt Status of Bonds and the provisions of the Trust Agreement concerning the Amount of Prepayment is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the City, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Loan Agreement, and the covenants set forth in the provisions of the Loan Agreement concerning the Tax Exempt Status of the Bonds shall be deemed to be modified to that extent.

Notices to Trustee and Authority

The City thereby agrees to provide the Trustee and the Authority with notice of any event of which it has knowledge which, with the passage of time or the giving of notice, would be an Event of Default, such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default.

Continuing Disclosure

The City thereby covenants and agrees to comply with the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, as it may from time to time thereafter be amended or supplemented, including those requirements set forth below. Notwithstanding any other provision of the Loan Agreements, failure of the City to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time thereafter be amended or supplemented, shall not be considered an Event of Default thereunder or under the Trust Agreement; however, any Bondholder or beneficial owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations pursuant to the provisions of the Loan Agreement concerning Continuing Disclosure.

(a) Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this section of the Loan Agreements unless otherwise defined in this section of the Loan Agreements, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in the provisions of the Loan Agreement concerning Continuing Disclosure.

“Beneficial Owner” shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Treasurer of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent under the Loan Agreements, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in provisions of the Loan Agreement concerning Continuing Disclosure.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/consumer/NRMSIR.htm>.

“Owner” means an owner of the Bonds and includes Beneficial Owners.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no State Repository in the State of Idaho.

(b) Provision of Annual Reports.

(i) The City shall, with the assistance of the Dissemination Agent, not later than six months after the end of the City’s fiscal year (presently September 30), commencing with the report for the 2003-2004 Fiscal Year, provide to each Repository and the Authority an Annual Report which is consistent with the requirements of the Loan Agreement concerning Continuing Disclosure. The filing shall be transmitted by Disclosure Agent and may be through the DisclosureUSA system of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in the provisions of the Loan Agreement concerning Continuing Disclosure. If the City’s fiscal year changes, it shall give notice of such change in the

same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(ii) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report, to the Dissemination Agent, to the Trustee (if the trustee is not the Dissemination Agent) and to the Authority. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City to determine if the City is unable to provide to the Repositories in compliance with the first sentence of this subsection (ii).

(iii) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (i) the Trustee shall send a notice to the Municipal Securities Rulemaking Board, the Authority and the State Repository in substantially the form as Exhibit D2 attached.

(iv) The Dissemination Agent (currently the Trustee) shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository; and

(2) file a report with the City, the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(c) Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(i) The audited financial statements for the City for the most recently ended fiscal year, currently prepared, to the extent feasible, in substantial conformance with generally accepted accounting principles applicable from time to time to governmental entities, with any permitted exception and an adopted budget for the then current fiscal year.

(ii) A statement in the form attached to the Loan Agreements as Exhibit D1 as to outstanding debt, litigation, compliance with regulatory matters and related items.

(d) Reporting of Significant Events.

(i) Pursuant to the provisions of this section of the Loan Agreements, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Loan Agreements and the Bonds, if material:

(1) principal and interest payment delinquencies.

(2) non-payment related defaults.

(3) modifications to rights of Bond Owners.

(4) optional, contingent or unscheduled redemptions of the Loan Agreements and any Parity Debt.

- (5) defeasances.
- (6) rating changes.
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Loan Agreements.
- (8) unscheduled draws on debt service reserves reflecting financial difficulties.
- (9) unscheduled draws on credit enhancements reflecting financial difficulties.
- (10) substitution of credit or liquidity providers, or their failure to perform.
- (11) release, substitution, or sale of property securing repayment of the Loan Agreements.

(ii) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (vi).

(iii) Whenever the City obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Trustee pursuant to subsection (ii) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(iv) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (vi).

(v) If in response to a request under subsection (ii), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (vi) of this section of the Loan Agreements.

(vi) If the Trustee has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (i)(4) and (5) need not be given under this subsection of the Loan Agreements any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The City's obligations under the Disclosure Agreement shall terminate upon the legal defeasance or discharge of the Loan Agreements in accordance with the provisions of the Loan Agreements concerning Discharge of Obligations. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination

in the same manner as for a Listed Event under the provisions of the Loan Agreements concerning Continuing Disclosure.

(f) Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

(g) Amendment; Waiver. Notwithstanding any other provision of the section of the Loan Agreement concerning Continuing Disclosure, the City and the Authority (or upon assignment of the Loan Agreements by the Authority, the Trustee) may amend this section of the Loan Agreement (and the Trustee shall agree to any amendment so requested by the City), and any provision of this section may be waived, provided that the following conditions are satisfied:

(i) If the amendment or waiver relates to the provisions of the Continuing Disclosure section of the Loan Agreements concerning Annual Reports, the Content of Annual Reports or the Reporting of Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(ii) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver either (1) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (2) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners and Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Loan Agreement concerning Continuing Disclosure, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under the section of the Loan Agreements concerning Continuing Disclosure and the Reporting of Significant Events, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(h) Additional Information. Nothing in the provisions of the Loan Agreements concerning Continuing Disclosure shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this section or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this section. If the City chooses to include any

information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this section, the City shall have no obligation under this section to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(i) Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the provisions of the Loan Agreements concerning Continuing Disclosure, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Loan Agreements, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under the provisions of the Loan Agreement concerning Continuing Disclosure shall survive resignation or removal of the Dissemination Agent and payment of the Loan Agreements.

(j) Notices. Any notices or communications to or among any of the parties to the provisions of the Loan Agreements concerning Continuing Disclosure may be given at their addresses as set forth in the Trust Agreement and the Loan Agreements.

(k) Beneficiaries. This section of the Loan Agreements shall inure solely to the benefit of the City, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, Beneficial Owners and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Eminent Domain Proceeds

If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the City to pay Repayment Installments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Income Fund and applied as provided in the provisions of the Loan Agreements concerning Allocation of System Revenues, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Repayment Installments as they come due and Parity Obligation Payments as they shall become due; *provided further* that the foregoing procedures for the application of Net Proceeds shall be subject to any similar provisions for Parity Debt on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Repayment Installments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the Income Fund, to be applied as provided in the provisions of the Loan Agreements concerning Legal Existence.

Amounts of Rates, Fees and Charges

The City will, at all times while any of the Repayment Installments remain unpaid, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (a) All current Operation and Maintenance Costs.
- (b) The Repayment Installments and the payments for the other Parity Debt and the payment of the Subordinate Obligations as they become due and payable.
- (c) All payments required for compliance with the terms of the Loan Agreements.
- (d) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

In addition to the requirements of the first paragraph of this section, the City will, at all times while any Repayment Installments remain unpaid, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 125% per cent of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section of the Loan Agreements.

Enforcement of and Performance under Contracts

The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the System. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the System, to the extent that the City is a party thereto.

Collection of Charges, Fees and Rates

The City will have in effect at all times rules and regulations requiring each user of the System to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

No Free Service

The City will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, charitable organization, or by any public agency (including the State of Idaho and any city, county, public agency, political subdivision, public corporation or agency or any thereof), unless otherwise required by law or existing written agreements.

Payment of Claims

The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the System or upon the System Net Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Repayment Installments; *provided*, that nothing in the Loan Agreements contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

Books of Record and Accounts; Financial Statements

The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System and the Income Fund, and upon request will provide information concerning such books of record and accounts to the Trustee.

The City will prepare annually, not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as any Repayment Installments remain unpaid, an audited financial statement of the City relating to the Income Fund and all other accounts or funds established pursuant to the Loan Agreements for the preceding Fiscal Year prepared by a City Independent Certified Public Accountant, showing the balances in each such account or fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such account or fund during such Fiscal Year and the balances in each such account or fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the City has complied with the provisions of the Loan Agreements. The City will furnish a copy of such audited financial statement to the Trustee and to the Information Services upon request, and will furnish such reasonable number of copies thereof to investment bankers, security dealers and others interested in the Bonds.

Payment of Taxes and Other Charges and Compliance with Governmental Regulations

The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may thereafter be lawfully imposed upon the System or any properties owned by the City, or upon the System Revenues, when the same shall become due; *provided*, that nothing in the Loan Agreements contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

The City will duly comply with all applicable State, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

Maintenance of Insurance

The City agrees to maintain fire and extended coverage insurance on the System in such minimum amounts as are reasonable and prevalent for similar municipalities and systems in the State of Idaho and worker's compensation coverage on all full-time employees working on, in, near or about the System in accordance with applicable State laws. The City may self-insure against such risks. The City shall provide evidence of such insurance to the Authority or the Trustee, respectively, upon written request of either the Authority or the Trustee.

Delivery of Closing Documents

The City agrees to execute and deliver on the Closing Date the certificates attached to the Loan Agreements as Exhibit C.

Events of Default and Remedies

Events of Default

Any one of the following which occurs and continues shall constitute an Event of Default pursuant to the Loan Agreements:

(a) failure by the City to pay any Repayment Installment on its respective Repayment Installment Date; or

(b) failure of the City to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Loan Agreements, other than making the payments referred to in (a) above, which continues for a period of 60 days after written notice, which notice shall specify such failure and request that it be remedied, given to the City by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected.

The provisions of subsection (b) of this section of the Loan Agreements are subject to the limitation that the City shall not be deemed in default if and so long as the City is unable to carry out its agreements under the Loan Agreements by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Idaho or any of their departments, agencies, or officials, or any civil or military City; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the City, unfavorable to the City. This limitation shall not apply to any default under subsection (a) of this section of the Loan Agreements.

Remedies on Default

Whenever any Event of Default shall have occurred and shall continue, the following remedies may be pursued:

(a) The Trustee shall have access to and the right to inspect, examine and make copies of the books and records and any and all accounts and data of the City.

(b) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the City under the Loan Agreements.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Loan Agreements and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the City, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreements, and all rights, remedies and powers of the City, the Trustee and the Authority shall continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Authority, the Trustee or the City shall not be disturbed by reason of this provision of the Loan Agreements).

In case the City shall fail forthwith to pay amounts due by reason of the provisions of the Loan Agreements concerning Continuing Disclosure upon demand of the Trustee, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the City and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the City under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the City or in the case of any other similar judicial proceedings relative to the City, or the creditors or property of the City, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreements and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the City, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Trust Agreement after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is thereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

Agreement to Pay Attorneys' Fees and Expenses

In the event the City should default under any of the provisions of the Loan Agreements and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreements or the enforcement of performance or observance of any obligation or agreement on the part of the City therein contained, the City agrees to pay to the Authority or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee.

No Remedy Exclusive

No remedy in the Loan Agreements conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreements or now or thereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the provisions of the Loan Agreements concerning Events of Default and Remedies, it shall not be necessary to give any notice, other than such notice as may be expressly required by the Loan Agreements. Such rights and remedies as are given the Authority thereunder shall also

extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements therein contained.

No Additional Waiver Implied by One Waiver

In the event any agreement or covenant contained in the Loan Agreement should be breached by the City and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

No Cross Default

The City shall not be liable for the failure of any other municipality to make payments with respect to the Bonds. The occurrence of any Event of Default of any other municipality under such municipality's loan agreement shall not constitute an Event of Default of the City under the Loan Agreement.

Prepayment

Redemption of Bonds with Prepayment Moneys

By virtue of the assignment of certain of the rights of the Authority under the Loan Agreements to the Trustee as is provided in provisions of the Loan Agreements concerning Assignment of Authority's Rights, the City agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under the provisions of the Loan Agreements concerning Prepayment. The Trustee shall use the moneys so paid to it by the City to effect redemption of the Bonds as set forth in the provisions of the Loan Agreement concerning Prepayment on the date specified for such redemption pursuant to the provisions of the Loan Agreement concerning Notice of Prepayment. The principal component of the Repayment Installments to be prepaid shall correspond in amount and maturity date to the Bonds related to the Loan Agreements.

Option to Prepay Installments

The Repayment Installments specified in Schedule 1 of the Loan Agreements are subject to prepayment on the dates and in the amounts as set the amount specified in Schedule 1.

Amount of Prepayment

In the case of a prepayment of the entire amount due under the Loan Agreements pursuant to the provisions of the Loan Agreements concerning Options to Prepay Installments, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay all Repayment Installments thereafter due.

Notice of Prepayment

The City shall give sixty days' prior written notice to the Authority and the Trustee specifying the date upon which any prepayment pursuant to the provisions of the Loan Agreements concerning Prepayment will be made. The Authority and the Trustee, at the request of the City, shall forthwith take all steps necessary under the applicable provisions of the Trust Agreement (except that the Authority shall not be required to make payment of any money required for such redemption) to effect redemption of the part of the then outstanding Bonds related to the Loan Agreements, as the case may be,

on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Trust Agreement.

Notwithstanding anything to the contrary in the Loan Agreements, each notice contemplated in the provisions of the Loan Agreement concerning Prepayment that is given with respect to an optional prepayment pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments thereof may state that it is subject to and conditional upon receipt by the Trustee on or prior to the proposed prepayment date of amounts sufficient to effect such prepayment and, if a notice so states, such notice shall be of no force and effect and the prepayment need not be made and the Repayment Installments will not become due and payable on the proposed prepayment date unless such amounts are so received on or prior to the proposed prepayment date.

Discharge of Obligations

Discharge of Obligations

The Repayment Installments shall be discharged to the extent the Bonds are discharged under the Trust Agreement. The principal components of the Repayment Installments to be discharged shall correspond in amount and maturity date to the Bonds related to the Loan Agreements.

If the City shall pay or cause to be paid or there shall otherwise be paid to the Trustee all of the Repayment Installments at the times and in the manner stipulated in the Loan Agreements, and the City shall pay in full all other amounts due thereunder, then all agreements, covenants and other obligations of the City thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Any Repayment Installments shall prior to the Repayment Installment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the second paragraph of this section of the Loan Agreements if (1) in case any of such Repayment Installments are to be prepaid, the City shall have given to the Authority and Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Loan Agreements, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of a City Independent Certified Public Accountant, to pay when due the Repayment Installments on and prior to the Repayment Installment Dates or prepayment date thereof, as the case may be, and the prepayment premiums, if any, on such Repayment Installments, and (3) an Opinion of Counsel to the effect that such treatment will not adversely affect the tax-exempt status of interest on any Bonds under the Loan Agreements.

Non-Liability of Authority; Expenses; Indemnification

Non-Liability of Authority

The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, or to discharge any other financial liability (including but not limited to financial liability under provisions of the Loan Agreement concerning Right of Access to the Project) in connection therewith, except from, and to the extent of, System Net Revenues. The City thereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the City pursuant to the Loan Agreements (excluding payments to the Authority or the Trustee pursuant to

the provisions of the Loan Agreements concerning the Tax Exempt Status of the Bonds and Indemnification).

Liability of City Limited to System Revenues

Notwithstanding any other provision in the Loan Agreements, the City shall not be required to advance any moneys derived from any source of income other than the System Revenues, the Income Fund and the other funds provided therein for the payment of the Repayment Installments or for the performance of any agreements or covenants required to be performed by it contained therein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Repayment Installments is a special obligation of the City payable solely from the System Net Revenues (except as provided in the provisions of the Loan Agreements concerning Timeliness of Payments, and Repayment), and does not constitute a debt of the City or of the State of Idaho or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Indemnification

The City releases the Authority and the Trustee from, and covenants and agrees that neither the Authority nor the Trustee shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify, defend and hold harmless the Authority and the Trustee and their officers, elected officials, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof. The indemnity of the Trustee required by this section of the Loan Agreements shall be only to the extent that any loss sustained by the Trustee exceeds the net proceeds the Trustee receives from any insurance carried with respect to the loss sustained.

Miscellaneous

Amendments, Changes and Modifications

Subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Trust Agreement, the Loan Agreements may be amended, changed or modified as set forth in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements.

(This page left blank intentionally.)

Appendix F

General Participant Information

(This page left blank intentionally.)

This section provides information on indebtedness, financial reporting, the Idaho public employees retirement system, and continuing disclosure that pertains to all of the Participants. Information specific to an individual Participant is provided in Appendices G through I attached hereto.

Idaho Municipal Corporations

Idaho municipalities are authorized by the Idaho Constitution Article 12, Section 1 to organize, as follows: “The legislature will provide by general laws for the incorporation, organization and classification of the cities and towns in proportion to the population,” (Idaho Constitution Article 12, Section 1). “The legislature by general and uniform laws will provide for such township, precinct and municipal (city) officers as probable convenience may require,” (Idaho Constitution Article 18, Section 6). Title 50 Idaho Code provides for the statutes of municipal corporations, including those for incorporation, organization and management.

Indebtedness

Authorization

The Participants are authorized to issue and sell revenue bonds by Section 50-1027 through 50-1042 of the Idaho Code (the “Revenue Bond Act”) and empowered to refund the same, pursuant to Section 57-504 Idaho Code. Each Loan from the Authority is evidenced by a revenue bond. The terms of each Loan are outlined in the Loan Agreement between the Authority and each Participant, to be dated as of the Date of Delivery.

The cities of Ketchum and Orofino are each refunding outstanding revenue bonds pursuant to Section 57-504 Idaho Code and as more fully described in the appropriate Participant’s appendix attached hereto.

The cities of Jerome and Ketchum each held a special election within their respective cities for new utility system projects (for each Participant, the “Project”), at which time the qualified electors of each city approved the proposition to issue and sell revenue bonds.

The City Council of each of the Participants has adopted an ordinance that sets forth the security pledge for payment of each Participant’s revenue bond to be issued under the Revenue Bond Act.

Rates and Charges

The Participants are required by their respective Ordinance to charge rates and charges sufficient to pay the principal, interest and premium, if any, on their respective Loans. The following tables present water and sewer rates in comparison to other select Idaho cities, followed by a projected coverage table for the Participants’ outstanding Parity Debt and their respective Loans.

**Comparative Water Rates
(As of 2005-06)**

City	Monthly Usage	Cost
Boise	Minimum Charge	\$9.60
	Summer	\$1.64 per 1,000 gallons
	Winter	\$1.31 per 1,000 gallons
Cascade	Minimum Charge	\$25.00
	0-Unlimited Usage	\$0.75 per 1,000 gallons
Coeur d'Alene	Minimum Charge	\$6.70
	0-Unlimited Usage	\$0.62 per 1,000 gallons
Ketchum	0-5,000 Gallons	\$7.79
	5,001-20,000 Gallons	\$0.69 per 1,000 gallons
	20,001-100,000	\$1.03 per 1,000 gallons
	100,001-Unlimited Usage	\$1.32 per 1,000 gallons
McCall	Minimum Charge	\$10.80
	0-Unlimited Usage	\$0.65 per 1,000 gallons
Orofino	Minimum Charge	\$11.25
	0-Unlimited Usage	\$1.00 per 1,000 gallons
Pocatello	Minimum Charge	\$4.00
	0-Unlimited Usage	\$1.85 per 1,000 gallons
Sun Valley	Minimum Charge	\$11.00
	0-Unlimited Usage	\$0.74 per 1,000 gallons
Twin Falls	0-2,000 Gallons	\$6.07
	3,000-100,000 Gallons	\$0.97 per 1,000 gallons
	1001,000-10 million Gallons	\$0.44 per 1,000 gallons
	10,001,000-Unlimited Usage	\$0.33 per gallon

Source: City of Ketchum Survey, 2006; Cities of Cascade and Orofino, March 2006.

**Comparative Single-Family Residential Sewer Rates
(As of 2005-06)**

City/District	Rate	Changes to Base Rate
City of Boise	\$3.70	Plus \$2.097/100 cubic feet water used.
City of Cascade	\$20.00	
City of Coeur d'Alene	\$20.36	Plus \$2.46/100 cubic feet water used.
City of Jerome	\$1.75	
City of Ketchum	\$15.00	
City of McCall	\$24.50	Plus \$1.40/1,000 gal. water used.
City of Orofino	\$12.25	
City of Pocatello	\$17.30	Plus property tax collected, approximating \$16.50 total.
Sun Valley Water and Sewer District	\$13.00	
City of Twin Falls	\$10.20	

Source: City of Ketchum Survey, 2006; Cities of Cascade, Jerome and Orofino, March 2006.

Litigation

There is no litigation pending questioning the validity of the Series 2006 Loans nor the power and authority of any of the Participants to issue their respective Series 2006 Loan. There is no litigation pending which would materially affect the finances of any of the Participants or affect any of the Participants' ability to meet debt service requirements on their respective Series 2006 Loan.

Debt Payment Record

During the past ten years, each Participant has promptly met principal and interest payments on its outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Future Financings

None of the Participants have taken any action to issue additional debt within the next twelve months.

Risks Associated with Construction

The proceeds of each Participant's Loan will be used to finance construction of the water or sewer Project, as the case may be. If the Participant is unable to cause its contractors to complete the Project on the anticipated schedule and without cost overruns, construction of the Project could take longer or cost more than anticipated. If the Project takes longer than anticipated, the Participant may have difficulty carrying on its water or sewer operations, as the case may be. If the Project experiences cost overruns, the Participant may have difficulty increasing its water or sewer system rates to cover additional costs and the failure to do so could adversely affect repayment of the Participant's Loan.

Consequently, repayment of the Participant's Loan may be subject to the risks inherent in construction and development of real property, including, but not limited to, delays, strikes, adverse weather, shortage of labor and materials, changing market conditions, fire, or other damage, construction accidents, improper construction or use of faulty materials by subcontractors to perform their obligations as a result of financial or other difficulties, and other similar conditions beyond the control of the Participant.

Financial Information

Financial Reporting

GASB 34. The financial statements as of September 30, 2005, of the Participants were prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"), with the exception of The Participants have implemented a new financial reporting model required by GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. The Participants now follow the "business-type activities" reporting requirements of GASB 34 that provide a comprehensive look at each Participant's financial activities.

Fund Accounting. Related accounts of each Participant are organized on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds were grouped into three primary categories: governmental funds, including the General Fund; proprietary funds; and fiduciary funds, if any.

The General Fund of each Participant accounts for all revenues and expenditures of the Participant that are not accounted for in other funds. The General Fund is budgeted on the modified accrual basis of accounting for most local governments. Under the modified accrual basis of accounting, revenues are recognized in the General Fund when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

Water and wastewater (sewer) funds account for the operation, maintenance and development of the Participants' water and wastewater systems and are the source of payment of the principal of and interest on each Participant's loan with the Idaho Bond Bank.

Independent Audit Requirement

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

The Trust Agreement requires each Participant to promptly file its audited financial statements with Moody's Investors Service and Ambac Assurance Corporation, the Series 2006 Bonds Insurer, upon their becoming available.

The audited financial statements of each Participant as of September 30, 2005, are filed with the four nationally recognized municipal securities information repositories ("NRMSIR"). The September 30, 2005, and future financial statements may be ordered by contacting the individual NRMSIRs at the addresses that follow.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman NJ 08558
Phone: 609-279-3225
FAX: 609-279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee NJ 07024
Phone: 201-346-0701
FAX: 201-947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data
Attn.: NRMSIR
100 Williams Street, 15th Floor
New York NY 10038
Phone: 212-771-6999
FAX: 212-771-7391
E-Mail: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York NY 10041
Phone: 212-438-4595
FAX: 212-438-3975
E-Mail: nrmsir_repository@sandp.com

Budgetary Process

Each Participant annually prepares the budget for the receipt and expenditure of all moneys for which it is accountable. Pursuant to Idaho Code 63-803, the budget is submitted by the Participant's City Council no later than 28 days prior to its annual meeting and is approved, after hearings and with modifications as necessary, prior to the beginning of each fiscal year. The budgeted dollar amounts of revenue within the adopted budget must be the same as presented to the respective county commissioners for tax levy purposes.

Investment Policy

Chapter 12 of Title 67, Idaho Code, provides authorization for the investment of funds as well as specific direction as to what constitutes an allowable investment. City procedures are consistent with the Idaho Code. The code limits investments to the following general types: (a) certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of State and local governmental entities; (b) time deposits accounts, tax anticipation and interest-bearing note; (c) bonds, treasury bills, debentures or other similar obligations of the United States government and the Farm Credit System and (d) repurchase agreements.

Investments are stated at cost, except for investments in the deferred compensation agency fund, which are reported at market value. Interest income on such investments is recorded as earned in the General Fund of the City unless otherwise specified by law.

Insurance Coverage

The Participants are members of Idaho Counties Risk Management Program ("ICRMP"). All property and liability insurance coverage is obtained from ICRMP. Property insurance coverage is for the total insured value.

Pension System

The Participants' employees are covered under the Public Employee Retirement System of Idaho ("PERSI"). PERSI is the administrator of a multiple-employer cost-sharing defined benefit public employee retirement system. A retirement board (the "PERSI Board"), appointed by the governor and confirmed by the legislature, manages the system which includes selecting investment managers to direct the investment, exchange and liquidation of assets in the managed accounts and to establish policy for asset allocation and other investment guidelines. The retirement board is charged with the fiduciary responsibility of administering the plan.

PERSI membership is mandatory for eligible employees of participating employers. Employees must be: (i) working 20 hours per week or more; (ii) teachers working a half-time contract or greater; or (iii) persons who are elected or appointed officials. Membership is mandatory for State agency and local school district employees, and membership by contract is permitted for participating political subdivisions such as cities and County. As of June 30, 2005, PERSI had 64,391 active members, 20,474 inactive members (of whom 8,460 are entitled to vested benefits), and 27,246 annuitants. PERSI collects contributions from employees and employers to fund retirement, disability, death and separation benefits, as provided by Chapter 13, Title 59, Idaho Code. As of June 30, 2005 there were 684 public employers in Idaho who were PERSI members.

As of June 30, 2005, PERSI's liabilities totaled \$8,778.7 million. This means that as of June 30, 2005 PERSI is 94.2 percent funded prior to the Cost of Living Adjustments ("COLAs") and 93.2 percent funded after COLAs. GASB Statement 25 (Reporting Standards for defined benefit pension plans) has replaced Projected Benefits Obligations ("PBO") (as the measure of pension plan funding status. As required by GASB Statement 25, the PERSI Schedule of Funding Progress shows a Funded Ratio of 94.2 percent of the PERSI Base Plan and 73.5 percent of the Firefighter's Retirement Fund (the "FRF"). The funded ratio includes the effect of a 1 percent mandated cost-of-living adjustment ("COLA") but not the additional discretionary COLA calculated at 2.6 percent. The Schedule of Employer Contributions shows that PERSI employers have contributed at least 100 percent of the Actuarially Required Contributions.

The PERSI Board approved three 1 percent contribution rate increases to take effect on July 1 in the years 2004, 2005 and 2006 in order to amortize an unfunded actuarial accrued liability within 25 years of the valuation date, as required by Section 59-1322, Idaho Code. The July 1, 2005 and 2006 increases have been postponed to July 1, 2007 and 2008.

Historical and future changes in contribution rates follows:

Contribution Rates

Year of Change	Total Rate ⁽¹⁾	Weighted Total ⁽¹⁾		Fire and Police		General	
		Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	Employer Rate
1993	17.16%	6.51%	10.65%	7.82%	10.87%	6.38%	10.63%
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2005	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2006	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2007	17.83	6.79	11.04	8.09	11.34	6.60	11.00
2008	18.82	7.16	11.66	8.53	11.95	6.97	11.61

- (1) The actual weighted average total rates may differ slightly from these amounts due to small shifts in the projected future salaries between Fire and Police and General members.

Source: Public Employee Retirement System of Idaho, Annual Report for the Fiscal Year ended June 30, 2005; letter from Milliman (the "PERSI Actuary") to the PERSI Board dated November 22, 2005.

The Participants' employer contribution rates are subject to future adjustment based on factors such as the results of subsequent actuarial valuations and changes in benefits resulting from legislative modifications.

As of July 1, 2005, there is an unfunded actuarial accrued liability of \$508.6 million. The PERSI Actuary determined that the contribution rates shown above are sufficient to amortize the unfunded actuarial accrued liability over 6.2 years, which meets the requirements of the Idaho Code. A table showing the funding of the whole PERSI system follows:

**Public Employee Retirement System of Idaho
Schedule of Funding Progress
(All Dollars in Millions)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities⁽¹⁾	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities⁽²⁾	Funded Ratio⁽³⁾	Covered Payroll⁽⁴⁾	UAAL as a Percentage of Covered Payroll
1996	\$3,761.2	\$4,461.5	\$60.8	\$639.5	85.5%	\$1,497.4	42.7%
1997	4,609.8	4,801.9	63.2	128.9	97.3	1,575.5	8.2
1998	5,488.2	5,060.0	65.7	(493.9)	109.9	1,627.7	(30.3)
1999	6,171.9	5,536.8	68.9	(704.0)	112.9	1,733.5	(40.6)
2000	7,032.9	6,105.1	70.5	(998.3)	116.5	1,827.2	(54.6)
2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4
2002	6,062.1	7,209.5	71.7	1,075.7	84.9	2,047.1	52.5
2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0
2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0

(1) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.

(2) Actuarial accrued liabilities less actuarial value of assets and present value of future optional retirement program contributions. Amounts reported do not include the value of any discretionary COLA or gain sharing payments granted after the valuation date. If negative, the amount is referred to as a funding reserve.

(3) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future optional retirement program contributions.

(4) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Source: Public Employee Retirement System of Idaho, Annual Report for the Fiscal Year ended June 30, 2005; letter from the PERSI Actuary to the PERSI Board dated November 22, 2005.

Risk Management

The Participants have risk of employee dishonesty, employee injury, property damage and general liability. All of the Participants purchase commercial insurance to cover these risks.

Continuing Disclosure

Each Participant has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2006 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto.

A summary of those Participants who have disclosure requirements and compliance with such requirements follows.

Continuing Disclosure Requirements and Compliance

	Participants	Continuing Disclosure Requirements Prior to this Issue	Compliance on Prior Continuing Disclosure Requirements
1.	City of Jerome	Limited Disclosure	In compliance.
2.	City of Ketchum	Limited Disclosure	In compliance.
3.	City of Orofino	Limited Disclosure	In compliance.

Appendix G

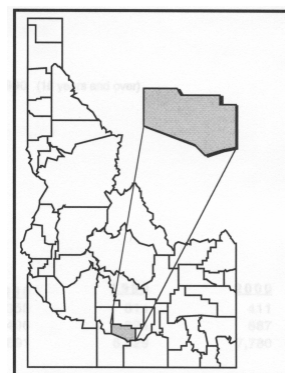
City of Jerome

(This page left blank intentionally.)

City of Jerome

The City of Jerome (the “City”) was incorporated in 1919 and provides police and fire protection, building inspection, animal control, street and park maintenance, sanitation and water supply and sewage treatment/disposal to its residents. It encompasses 3.2 square miles.

Over the last 5 years, the City has completed several annexions. City-initiated annexations were for structures that were connected to the City’s System. Since January 1, 2005, the City annexed approximately 310 acres of real property (80 acres for industrial development and 230 acres of residential development. At full build-out, this represents approximately 3 low-effluent producing, industrial entities and an estimated 920 housing starts based on average size of ¼-acre lots. Additionally, the City has reviewed and approved 3 in-fill projects. Overall, the expected impact to the City of annexations is minimal.



Jerome County

The City is located in Jerome County (the “County”) and is the County seat. It is located in south-central Idaho, along State Highway 25 with State Highway 79 providing access from the south. Interstate -84 is accessible to the south of the City. Eastern Idaho Railroad provides freight rail service with once per day service connecting to Union Pacific. Commercial air service is provided by the Magic Valley Regional Airport, which is located about 18 miles from the City and south of Twin Falls, provides five flights servicing the Salt Lake City International Airport, and the Boise Regional Airport, 94 miles west of the City. Non-commercial, general aviation air service is provided by the Jerome County Airport, 3 miles east of the City.

Wastewater Project

Proceeds from the City’s loan with the Authority will be used to finance improvements to the City’s Wastewater System, including construction of a water reuse facility (the “Project”) using a membrane bioreactor process (“MBR”). The MBR process uses an activated sludge process to reduce the BOD and nitrogen in the waste stream and filters out the solids from the clean water with a membrane. The Project constitutes a “project” as that term is defined in the Wastewater Law.

The current wastewater treatment plant (the “Plant”) will serve as the foundation for the new facility. Older parts and pieces will be modified and replaced and the City will incorporate a membrane filtration system, which allows the City to plug in additional membranes as they are needed. The MBR will be housed in an 80-foot by 120-foot metal, prefabricated building.

Membrane technology will allow the City to treat its wastewater to a higher degree than what is required by the EPA and the North Side Canal Company.

The City of Jerome held a special election on February 7, 2006 for approval to issue up to \$9 million for sewer system improvements. Final election results, which require a simple majority for passage, were as follows:

Voter Tally

City of Jerome – Special Election

February 7, 2006 – Up to \$9 million Sewer Revenue Bonds

	Number of Votes	Percentage of Total Votes
Yes	284	71.0%
No	<u>200</u>	<u>29.0%</u>
Total	484	100.0%

Source: Blaine County Clerk’s Office.

Authority

The City Council has adopted its Ordinance No. 996 setting forth the security pledge for payment of the City Revenue Bonds to be issued under the Revenue Bond Act evidenced by a Loan from the Authority and authorizing the City to enter into a Loan Agreement with the Authority. Loan proceeds will be used for improvements to sewer facilities.

Management

Form of Government

The City is managed by a Mayor- Council form of government pursuant to Title 50 of the Idaho Code, as amended, and the City Code. Mayors are elected at-large on a non-partisan ballot for a four-year term. The Council is composed of four members who are elected to staggered 4-years terms of office. The Council has oversight, responsibility and control over all activities related to the City. Following is a list of current elected officials, their occupations and their terms of office.

Mayor and City Council Members

Council Members	Occupation	Term Commenced	Term Expires
Charlie Correll	Mayor	January 2006	December 2010
Darcie Babrowski	Councilwoman	January 2006	December 2010
Chris Barber	Councilman	January 2006	December 2010
Jerry Crozier	Councilman	January 2004	December 2008
Marjorie Schmidt	Councilwoman	January 2004	December 2008

Rate Setting Authority

Rates and charges for services are established by the City Council pursuant to the City Code and ordinances and are not subject to review or approval by any federal or State regulatory agency. Ordinance No. 978, passed by the City Council and signed by the Mayor on November 15, 2005 ("Ordinance 978"), amended Chapter 13.20 of the City Code by allowing the City Administrator or his designee to classify water users, adopt increased rates for the treatment of wastewater at the Plant, and amend the monthly charge schedule and septage dumping fee.

Key Administrators

The administrative and management staff of the City includes three appointed officials and additional classified management personnel. All appointed officials are nominated by the Mayor and approved by the Council.

Key Administrators

Council Members	Position
Travis Rothweiler	City Administrator
Robert E. Williams III	City Attorney
Kathy Cone	City Treasurer/Clerk

System Management

Pursuant to the City Code, the City Administrator or his designee is responsible for inspection of the sewer system.

Staff

The City currently employs 81 full-time and 30 part-time people in addition to its 5 elected officials.

The City does not have any labor agreements or collective bargaining units.

Pension Plan

The City's employees are covered under PERSI as described in Appendix F. The employee's contribution rate as a percentage of covered payroll for members was 6.23 percent for general members and 7.65 percent for police and firefighters. The employer rate as a percentage of covered payroll for general members was 10.39 percent, 10.73 percent for police and 27.97 percent for firefighters. Contributions required and paid in Fiscal Years 2003, 2004 and 2005 were \$257,215, \$279,562, and \$330,038, respectively. Unfunded actuarial liability is paid through employee and employer contribution rates of multiple-employers as determined by the PERSI Board of Trustees.

Other Retirement Contributions

The City instituted a 401(k) profit-sharing retirement plan to supplement employees' income upon retirement. The City contributes 25 percent up to 6 percent of contributions made by the employee. Also in place is a cafeteria plan in which employees can elect to reduce their gross income and choose from a variety of benefits including medical expense reimbursements, group life insurance and dependent care reimbursement.

Other Postemployment Benefits (OPEBs)

The City funds a Health Reimbursement Arrangement Plan at the rate of \$800 per year, with a maximum contribution of \$2,400 for eligible employees. At the end of each plan year, the employee is allowed to rollover 75 percent of his/her account balance, while the City retains 25 percent. Funding is cancelled for terminating employees. Retiring employees are allowed to keep the pre-funded balance until it is depleted. The City's contribution to OPEBs is for compensated future absences (unused vacation, sick leave, and compensated time). Costs for compensated future absences are dependent upon the number of employees who retire each year. At this point, the funding is budgeted for the current year in which eligible employees are projected to retire. The City also has a policy in place to limit the number of employees who are eligible for unused sick leave. Only employees who were hired prior to April of 1995 are eligible. It is also the City's policy directing department heads to control the number of vacation and compensated time hours that employees accrue.

Wastewater System

The City owns, operates and maintains or controls all the sanitary wastewater transportation and treatment systems within the City limits (the "Wastewater System"). The Wastewater System serves 3,067 customer accounts, representing approximately 8,500 people connected to the collection system; there are no customers currently served outside the City.

The City entered into a five-year agreement commencing April 21 2005 (the "Agreement") with ABC Agra, LLC, an Idaho limited liability company ("ABC"), wherein ABC donated its State of Idaho Water Right No. 36-2526 and certain real property to the City in exchange for which the City agreed to provide potable water not to exceed an amount which will generate more than 80,000 gallons per day ("gpd") of wastewater from the area known as "Crossroads Ranch" for treatment by the Plant. The City will also provide additional water and wastewater treatment service to ABC, and its successors in interest, at the same rates and on the same terms the City applies to other users outside the City. The Agreement has an automatic renewal clause for an additional five-year period unless ABC provides a written termination notice to the City at least one year prior to the current term of the Agreement or in the event Crossroads Ranch is annexed to the City.

Service Area

The City operates the Plant and treats waste generated from the City and Crossroads Ranch. Pursuant to the Code of the City of Jerome, Idaho, 1981 (the "City Code") Section 13.08.020, a private sewage disposal system is allowed only where a public sanitary or combined sewer is not available. There are no private sewage disposal systems currently in Jerome.

Population

	1980	1990	2000	2004 ⁽¹⁾
Jerome County	14,840	15,138	18,342	19,279
City of Jerome	6,891	6,529 ⁽²⁾	7,780	8,377

(1) Bureau of the Census estimates.

(2) Population decreased from 1980 as a result of the 1987 Tuperware plant closure.

Source: Idaho Commerce and Labor, <http://cl.idaho.gov/data/census/CityPops2000-2004.xls>, February 28, 2006.

Major Employers (As of December 2005)

Employer	Product/Service	No. of Employees
Jerome School District	Education	390
Spears Manufacturing	Manufacturing	300-399
Wal-Mart Superstores, Inc.	Retail	300-399
Jerome Cheese	Dairy Products	250
St. Benedicts Medical Center	Health Care	210
Arlo G. Lott Trucking	Full Service Trucking	147
West Farm Foods/Darigold	Milk Processing	100-149
Rite Stuff Foods, Inc.	Food Packaging	110
Hilex Poly Inc.	Plastic Bag Manufacturing	100
Jerome County	Government	98

Sources: Spears Manufacturing Co., Wal-Mart and West Farm Foods/Darigold employment figures obtained from Regional Job Service Office in Twin Falls, Idaho. Balance of employer figures obtained from human resource departments of individual employers.

Jerome County Annual Average Labor Force Data

Year	Civilian Labor Force	Unemployment	Percent Unemployed	Total Employment
2005	10,449	359	3.4%	10,090
2004	9,741	428	4.4	9,314
2003	9,623	427	4.4	9,197
2002	9,458	401	4.2	9,057
2001	9,363	370	3.9	8,993

Source: Idaho Commerce and Labor, Jerome County Profile, January 2006, <http://cl.idaho.gov/lmi/pubs/JeromeProfile.pdf>, March 18, 2006.

Rates and Charges

The City Code sets out the process and provisions for wastewater fees and charges. Pursuant to Section 13.08.075 of the City Code, new customers are assessed connection fees at the time a building sewer connection permit is filed.

Sewer Connection Permit and Inspection Fees

Permit Classification	Fee
Single-family residential	\$800
Mobile home park residential	\$800 for initial home space; \$600 for each additional
Multi-family dwelling residential	\$800 for first dwelling unit; \$600 for each additional
Commercial	\$800 for a business with less than 10 employees and a private restroom \$3,500 for a business with more than 11 eleven employees or which has a public restroom
Industrial waste	1,885

Source: Section 13.08.075 of the City Code.

The City revised its monthly rates and charges as of February 1, 2006 through adoption of Ordinance 978, which amended Chapter 13.20 of the City Code. The previous sewer charges and fees had not been revised since 1997.

Wastewater Rates and Charges (As of Fiscal Year 2005)

Wastewater Strength Classification - User Class	Biological Oxygen Demand + Total Suspended Solids	Unit Water Charge per 100 Cubic Feet	
		Prior to February 1, 2006	Effective February 1, 2006
I	0- 400 mg/l	\$1.62	\$2.46
II	400-600 mg/l	\$2.44	\$3.71
III	600-800 mg/l	\$3.26	\$4.96
IV	800-1,000 mg/l	\$4.06	\$6.17
V	1,000-1,500 mg/l	\$5.52	\$8.39
Monthly Fixed Rate:	Use per Month in Cubic Feet	Fixed Rate per Month	Effective February 1, 2006
	0-400	\$1.50	\$1.75
	400-800	\$2.00	2.25
	800 and over	\$2.50	2.75
Other Fees:			
Septage Dumping	\$15 per dump up to 1,000 gallons plus \$0.03 per each additional gallon.		

Source: Section 13.20.010 City Code and Ordinance 978.

Wastewater Revenues from Usage

Year ⁽¹⁾	Amount per ECU ⁽²⁾	Total Revenue	Monthly Rate Per ECU	Total Revenues
2005	\$700	\$37,800	\$11.74	\$437,432
2004	700	26,600	11.74	432,204

(1) Fiscal Years.

(2) "ECU" means Equivalent Connections Unit.

Source: City of Jerome, March 2006.

Currently, an average water user pays approximately \$14.69 per month for sewer services. With the recent rate increase approved through Ordinance 978, the average cost will be \$22.30 per month. According to the Idaho Department of Environmental Quality, the average sewer rate paid by citizens in the Magic Valley is approximately \$31.00 per month. Rates for industrial and commercial users will be increased proportionately.

The City is currently experiencing a housing boom. There are roughly 15 subdivisions either in the works or approved and being built with a total of approximately 1,500 homes.

Wastewater System Users

Year	Residential	Commercial/Industrial	Total Users	% Increase	New Connections
2006	2,826	241	3,067	2.10%	63
2005	2,768	236	3,004	1.18	35
2004	2,728	241	2,969	2.98	86
2003	2,638	245	2,883	--	--

NOTE: numbers are not available for 2002 because the City changed financial systems after 2002.

Source: City of Jerome, April 2006.

Customers

The largest wastewater users in the City are listed below:

Ten Largest Wastewater Consumers (Fiscal Year 2005)

	Customer	Amount Paid	% of Total Wastewater User Charges
1.	Jerome Cheese	\$ 704,804	64.42%
2.	Westfarm Foods	250,397	22.89%
3.	Diehl, Inc. (facility not occupied since June 2005)	43,071	3.94%
4.	Rite Stuff Food Inc.	28,263	2.58%
5.	EE DA HOW	24,570	2.24%
6.	Hilex Poly	12,253	1.12%
7.	St. Benedict's FMC	10,085	0.93%
8.	Spears Manufacturing	12,453	1.14%
9.	Horizon	1,706	0.15%
10.	Central Ele	6,483	0.59%
	Total System	<u>\$ 1,094,085</u>	

Source: City of Jerome, March 2006.

Billing and Collections

Chapter 13.20 of the City Code requires that fees and charges for sewer use be charged at the same time as users are billed for domestic water consumption. Residential, commercial and industrial users are billed on a monthly basis. Invoices, which are generally mailed on the last working day of the month and are due the 15th day of the following month, show the amount due for sewer services for the preceding month. Customers whose payments are 45-days overdue receive written notice that service will be discontinued unless payment is made or an arrangement for payment is made. Each customer is allowed to make arrangements once a year. Non-payment results in notification from the City Attorney and turn-over to a collection service. Currently, the City is writing off less than 1 percent of uncollectible accounts..

All charges and fees for sewer use that are not paid within 30 days of the date when due become a lien upon and against the property or premises against which charges are levied.

System Financial Information

A three-year Summary of Net Assets and Changes in Net Assets for the City's Wastewater Treatment Plant Fund follows.

Wastewater Treatment Plant Fund
Summary of Net Assets and Changes in Net Assets
(Fiscal Years)

	2003	2004 ⁽¹⁾	2005 Unaudited
<i>Statement of Net Assets</i>			
Total Assets	\$ 7,903,267	\$ 4,851,393	\$ 5,595,820
Total Liabilities	\$ 911,238	\$ 793,060	\$ 617,735
Total Fund Equity	6,992,029	4,058,333	4,978,085
Total Liabilities and Fund Equity	\$ 7,903,267	\$ 4,851,393	\$ 5,595,820
Unrestricted Assets	\$ 1,757,311	\$ 2,300,564	\$ 2,724,161
Restricted Assets	488,668	450,514	490,309
Fixed Assets	5,649,741	2,094,357	(2) 2,376,981
Other Assets	7,547	5,958	4,369
Total Net Assets	\$ 7,903,267	\$ 4,851,393	\$ 5,595,820
<i>Statement of Revenues, Expenditures, and Changes in Net Assets</i>			
Charges for Service	\$ 1,729,425	\$ 1,706,818	\$ 1,683,505
Miscellaneous Income	26,024	345,133	63,466
Operating Revenues	1,755,449	2,051,951	1,746,971
Operating Expenses	1,256,957	1,109,713	1,189,009
Operating Earnings (Loss)	498,492	942,238	557,962
Nonoperating Earnings (Expense)	351,180	104,449	(3) 361,790
Net Earnings (Loss)	849,672	1,046,687	919,752
Retained Earnings -- Beginning of Year	118,256	967,928	(1,965,768)
Prior-period Adjustment due to GASB-34	0	(3,980,383)	(2) 0
Total Retained Earnings at Year End	\$ 967,928	\$ (1,965,768)	\$ (1,046,016)

(1) City implemented GASB No. 34.

(2) Prior-period adjustment for implementation of GASB No. 34. Value of utility plant in 2003 and 2004 was \$10,488,625 and \$7,308,257, respectively.

(3) The City received fewer federal and state grant dollars than anticipated.

Source: City of Jerome Audited Financial Statements.

A summary of the budget for the Fiscal Year ending September 30, 2006 follows:

**Wastewater Treatment Plant Fund
Adopted Budget
(Fiscal Year Ending September 30, 2006)**

Revenue		2006
Collections	\$	2,293,648
Federal Grants		900,000
State Grants		500,000
Revenue Bond Proceeds		8,800,000
Interest Earnings		55,000
Miscellaneous Income		10,000
Refunds and Reimbursements		36,212
Total Resources		<u>12,594,860</u>
Expenditures		
Wastewater Operations		
Salaries and Wages	\$	398,074
Benefits		124,315
Office Supplies and Postage		3,500
Operating Supplies		75,000
Professional Services		40,000
Advertising and Publishing		250
Insurance and Bonds		21,223
Dues and Subscriptions		1,050
Personnel Training		2,500
Telephone and Communications		3,500
Heat, Lights and Utilities		100,000
Utilities - City owned		9,000
Gas and Oil		4,500
Interest Expense/Debt Service		539,687
Repair and Maintenance		44,000
Other Purchase Services		35,000
Uniforms		1,200
Medical Services		600
Uncollectable Accounts		3,000
Operating Transfer-Out		8,502
Capital Outlay		8,897,500
Subtotal Wastewater Operations		<u>10,312,401</u>
Wastewater Collections		
Salaries and Wages		25,579
Benefits		9,689
Operating Supplies		5,000
Telephone and Communications		350
Heat, Lights and Utilities		200
Gas and Oil		1,000
Repair and Maintenance		5,000
Capital Outlay		2,000,000
Subtotal Wastewater Collections		<u>2,046,818</u>
Net Revenue over Expenditures	\$	<u>235,641</u>

Source: Adopted Budget.

Plant and Facilities

The City constructed a wastewater treatment facility (the "Plant") in 1979 that was designed to treat 1.5 million gallons per day ("mgd") of wastewater. The Plant included a headworks facility, septage acceptance facility, aeration basins, secondary clarification, chlorination facilities, aerobic digestion and sludge drying beds. The Plant was upgraded in 1992 to increase the capacity to a maximum peak flow of 4.25 mgd, 8,500 pounds of BOD per day and 3,300 pounds of TSS per day. The upgrade added fine screen and grit removal equipment, influent flue and control structure, and biotower or roughing tower, four surface mixers and a 150 horse-power blower to the aeration basins, solids gravity thickener tank, centrifuges, and course bubble diffusers replaced the Jet Tech aerators in the aeration basins. Modifications were made to the return activated sludge ("RAS")/WAS, digester mixing, and blower piping. In 2003, additional modifications were made, including the addition of fine bubble diffused aeration equipment, replacing the existing aeration/mixing systems, installation of new RAS pumps, addition of a new blower and moving the centrifuges off line and adding a portable belt press. Currently, the Plant is overloaded and is flow-limited and is limited by the biological load it can treat.

Influent flows to the plant have been fairly consistent over the past two years and have increased gradually over time. While there have been some very high loading days in the past, the average of the monthly peak day loading is approximately 18,000 lb/d, which is roughly two times the average BOD loading of 9,756 lb/day.

Flow data is measured for the two major industries with Jerome Cheese and Westfarm Foods contributing flows of 0.55 and 0.30 mgd, respectively. Jerome Cheese has indicated to the City that it is considering an alternative treatment option. Westfarm Foods advised the City in 2004 that it anticipates flows would double to 0.60 mgd.

The Plant discharges directly into "J" canal located adjacent to the Plant site for eventual discharge to the Snake River. The canal water passes through a treatment wetland maintained by the Northside Canal Company for water quality treatment prior to its discharge into the river. Average daily treated effluent discharge is approximately 1.6 mgd.

**Wastewater Treatment Plant
Flows and Load**

Flows and Load	Fiscal Year 2004	Design Criteria	
		2004 Facilities Plan	Design Build- out Level
Flow (mgd)	2.0 max.	1.80	4.0
Dry Weather Flow	1.599		
Wet weather flow	1.594		
Peak flow	1.873		
BOD Load (lb/d)		9,800	26,500
BOD Conc (mg/l)		653	819
TSS Load (lb/d)		8,131	18,596
TSS Conc (mg/l)		542	575
TKN Load (lb/d)		847	4,693
TKN Conc (mg/l)		56	145
Phosphorus Load (lb/d)		414	2,017
Phosphorus Conc (mg/l)		28	62

Source: City of Jerome Draft Wastewater Facilities Plan, September 26, 2004, and Wastewater Treatment Data.

Capital Improvements Plan

In 2005, the City approved a facility improvement plan (the "Plan") for the Plant that was prepared by Aqua Engineering. The Plan addresses the financial strategy to implement various aspects of wastewater management and includes both a capital improvement plan (the "CIP") and a rate study.

The first phase of the CIP is designed to increase Plant capacity to 2.5 mgd.

Capital Improvement Plan – Phase I Recommended Schedule and Estimated Costs

Project	Estimated Date of Installation ⁽¹⁾	Estimated Capital Cost ⁽²⁾
General Site Work/Yard Piping	October 2007	\$ 634,000
Headworks upgrade	October 2007	771,000
Biotower Pump Station	October 2007	141,000
Aeration Basin modifications	October 2007	239,000
Blower Building improvements	October 2007	222,000
Membrane Building construction	October 2007	3,609,000
Disinfection	October 2007	272,000
Utility Water System upgrade	October 2007	96,000
Clarifier modifications	October 2007	115,000
Thickener modifications	October 2007	132,000
Septage Building upgrade	October 2007	219,000
Electrical/Controls	October 2007	1,034,000
SCADA Programming	October 2007	120,000
Contingency	October 2007	750,000
Detailed Engineering Design	June 2006	285,000
Construction Services	October 2007	<u>288,000</u>
Total		<u>\$8,927,000</u>

Source: City of Jerome, April 2006.

Crossroads Ranch

Crossroads Ranch is anticipated to increase the City's sewer capacity demand, according to the City's 2005 Comprehensive Plan. The cost of installing main distribution lines extending to the Crossroads Ranch area are intended to be born by the property developer and maintenance costs will be financed through connection fees and tax assessments for Crossroads Ranch residents. Pursuant to the Agreement, ABC is required to pay for all costs related to the construction of the water and/or wastewater lines not covered by grants, if any, received by the City for the same lines up to a maximum amount of \$350,000. The City is required to provide all labor in order to install the wastewater line from U.S. Highway 93 to the City. On-going maintenance and operation of the line is the City's responsibility.

Environmental Regulations

The Plant discharges into a canal located on the southwest corner of the Plant site. The canal eventually discharges into the Snake River, where NPDES permit requirements are in effect for the Canal Company. The Northside Canal Company installed a wetland treatment system on the canal, upstream of the Snake River discharge point, to improve the water quality.

⁽¹⁾ Preliminary, subject to change.

The Plant has had 3 instances, due to high loadings sent to the Plant as a result of equipment malfunction and/or operator errors at customer facilities, when the effluent BOD concentration exceeded the permit for both the average weekly and average monthly limits.

The Plant is governed by the United States Environmental Protection Agency (the "EPA") NPDES Permit No. ID 002016-8, which was issued on August 31, 1999 and expired August 31, 2004. The City applied for a new permit on June 15, 2004 and received notice from the EPA on November 24, 2004 that the current permit is extended. The City is in compliance with its permit. The City reports to DEQ and EPA by the 10th of each month.

The City has two industrial user agreements with permits for the two major industrial users: Jerome Cheese and Westfarm Foods. Both industries are tested and monitored daily. The permit for Jerome Cheese expires on September 15, 2007; the permit for Westfarm Foods expires on May 31, 2007.

Terms of Debt

Enterprise Fund Obligations

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Sewer Fund</i>				
Lease-Purchase (road grader) ⁽¹⁾	08/11/04	08/11/07	\$ 110,000	\$ 55,000
City Revenue Bond, Series 2006 ⁽²⁾	05/11/06	09/01/26	9,000,000	<u>9,000,000</u>
Total Sewer Fund Debt				<u>\$ 9,055,000</u>
<i>Water Fund</i>				
USDA Rural Development Loan	03/18/98	03/18/30	\$ 900,000	\$ 768,411
SRF Construction Loan ⁽³⁾				
<i>Special Assessment</i>				
LID Series 2000 ⁽⁴⁾	10/17/00	11/01/10	\$ 273,206	\$ 106,000

(1) The City entered into a lease-purchase contract with D.L. Evans Bank that is secured by the road grader and is subject to annual appropriation. The lease-purchase contract does *not* have a lien on the Sewer Fund revenues.

(2) This issue.

(3) The City and DEQ entered into a contract for \$3.6 million in November 2002 to finance water system improvements. The project has not been completed and is currently being financed with a construction loan from the Idaho State Revolving Fund. Upon completion, the SRF Construction loan is to be paid off with proceeds from DEQ, payable from water system revenues.

(4) The City issued local improvement district ("LID") bonds in 2000 that are secured by assessments from property owners to cover the cost of improvements to sidewalks in the downtown area.

Source: Audited Financial Report for the Year Ended September 30, 2005, City Staff and this issue.

Capital Leases

The City enters into capital leases from time-to-time for equipment and vehicles. Currently, the City does not have any outstanding capital leases.

**Debt Service Requirements
City Revenue Bonds, Series 2006**

Fiscal Year⁽¹⁾	Principal	Interest	Total Debt Service
2006	\$ 100,000	\$ 137,020	\$ 237,020
2007	290,000	393,800	683,800
2008	300,000	382,200	682,200
2009	315,000	370,200	685,200
2010	325,000	357,600	682,600
2011	340,000	344,600	684,600
2012	350,000	331,000	681,000
2013	365,000	317,000	682,000
2014	385,000	298,750	683,750
2015	405,000	279,500	684,500
2016	425,000	259,250	684,250
2017	445,000	238,000	683,000
2018	465,000	220,200	685,200
2019	480,000	200,670	680,670
2020	505,000	180,270	685,270
2021	525,000	158,808	683,808
2022	545,000	136,758	681,758
2023	570,000	113,595	683,595
2024	595,000	89,085	684,085
2025	620,000	63,500	683,500
2026	650,000	32,500	682,500
	<u>\$ 9,000,000</u>	<u>\$ 4,904,305</u>	<u>\$ 13,904,305</u>

(1) Fiscal years ending September 30.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2005 and Finance Staff updated through date of this Official Statement.

Coverage and Reserve Requirement for the City Revenue Bonds, Series 2006

The City has covenanted in its Loan Agreement that it will charge rates for the Wastewater System at levels to provide Revenues less the costs of operations and maintenance sufficient to cover the aggregate principal and interest payments on the City Revenue Bonds by at least 1.25 times in each Fiscal Year.

As long as the City's coverage is 1.25 or greater, the Reserve Requirement for the City will be set at one-half of the maximum annual debt service of the City Revenue Bonds. If coverage falls below 1.25, the Reserve Requirement will become the lesser of: (i) 10 percent of the proceeds of the City Revenue Bonds, (ii) maximum annual principal and interest on the City Revenue Bonds, or (iii) 125 percent of average annual principal and interest on the City Revenue Bonds, and the City will be required to fund its Series 2006 Reserve at the adjusted Reserve Requirement within a three-year period from the date the coverage falls below 1.25.

Historic and Projected Coverage

	2007 ⁽¹⁾	2006	2005	2004	2003	2002	2001
Operating Revenues							
Charges for services	\$ 1,598,083	\$ 1,598,083 ⁽²⁾	\$ 1,683,505	\$ 1,706,818	\$ 1,729,425	\$ 1,519,184	\$ 1,580,831
Hook-on fees in excess of cost	0	0	0	0	0	0	0
Other	<u>41,812</u>	<u>41,812</u>	<u>63,466</u>	<u>345,133</u>	<u>26,024</u>	<u>35,173</u>	<u>21,508</u>
Total Operating Revenues	1,639,895	1,639,895	1,746,971	2,051,951	1,755,449	1,554,357	1,602,339
Operating Expenses							
Salaries and Benefits	494,030	494,030	512,274	422,967	409,813	181,820	166,508
Administrative and Supplies	<u>351,123</u>	<u>351,123</u>	<u>409,158</u>	<u>452,588</u>	<u>498,606</u>	<u>852,759</u>	<u>726,963</u>
Total Operating Expenses ⁽³⁾	<u>845,153</u>	<u>845,153</u>	<u>921,432</u>	<u>875,555</u>	<u>908,419</u>	<u>1,034,579</u>	<u>893,471</u>
Net Operating Income	<u>794,742</u>	<u>794,742</u>	<u>825,539</u>	<u>1,176,396</u>	<u>847,030</u>	<u>519,778</u>	<u>708,868</u>
Add: Interest income	80,343	80,343	63,394	43,317	37,240	37,001	19,585
Available for Debt Service	<u>875,085</u>	<u>875,085</u>	<u>888,933</u>	<u>1,219,713</u>	<u>884,270</u>	<u>556,779</u>	<u>728,453</u>
Debt Service							
Sewer Revenue Bonds, Series 1997	0	0	193,675	192,075	200,315	192,638	194,498
City Revenue Bonds ⁽⁴⁾	<u>683,800</u>	<u>237,020</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>683,800</u>	<u>237,020</u>	<u>193,675</u>	<u>192,075</u>	<u>200,315</u>	<u>192,638</u>	<u>194,498</u>
Debt Service Coverage	1.28	3.69	4.59	6.35	4.41	2.89	3.75
Available for Other Purposes	\$ 191,285	\$ 638,065	\$ 695,258	\$ 1,027,638	\$ 683,955	\$ 364,141	\$ 533,955

(1) Assumes Revenues and Expenses are at the same levels as Fiscal Year 2006 unless otherwise noted.

(2) The City Council adopted a rate increase effective February 1, 2006.

(3) Excludes depreciation expense.

(4) This issue.

Source: City of Jerome.

(This page left blank intentionally.)

Appendix H

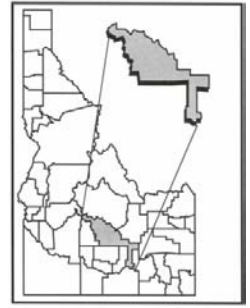
City of Ketchum

(This page left blank intentionally.)

City of Ketchum

The City of Ketchum (the “City”) was founded in 1880 and provides public safety, community development, public improvements, planning and zoning and general administrative services to its residents. It encompasses 29.3 square miles.

The City has not had any annexations in the past five years. The City anticipates two annexations within the next five years: Warm Springs Ranch and River Run. Each of these proposed annexations, if they transpire, will likely include additional facilities, wells, transmission lines, and storage reservoirs as part of the annexation agreements with property developers.



Blaine County

The City is located in Blaine County, Idaho, along U.S. Highway 75, one mile west of the City of Sun Valley. Commercial air service is available locally from SkyWest Airlines and Horizon Air at Friedman Memorial Airport in Hailey, 14 miles south of the City. Commercial air service is also available into the City of Boise, 155 miles west of the City. The Ketchum Area Rapid Transit (“KART”) operates a free, year-round transportation busing system with fixed-route service in and around the cities of Ketchum and Sun Valley.

Water and Wastewater Projects

Proceeds from the City Revenue Bonds will be used to finance improvements to the City’s combined and consolidated domestic water and wastewater system (the “System”).

Series 2006 Bonds

The City plans to use proceeds from the City Revenue Bonds, Series 2006, to finance two new projects: a water system improvement project (the “City Water Revenue Bonds”) and a wastewater system improvement project (the “City Wastewater Revenue Bonds”). The City voters approved a proposition on February 3, 2004 to issue up to \$3.72 million of revenue bonds for wastewater system improvements to be paid from the City’s wastewater system revenues over a period not to exceed 30 years. The City issued \$1.99 million of sewer revenue bonds in 2004, representing the first series of the \$3.72 million authorization. The City currently intends to issue the balance of \$1.73 million for additional wastewater system improvements.

The City jointly owns a wastewater collection system with the Sun Valley Water and Sewer District. The wastewater Project consists generally of, but is not limited to, the completion of electrical controls upgrade, new aeration basins, ultra-violet disinfection system, and filtration system improvements, together with the costs of engineering, legal, accounting, and other necessary professional services, costs of bond issuance, interest on borrowed funds during construction, and related improvements and costs incidental thereto. The total construction cost of the Project is expected to be \$7,250,000 (see “Wastewater Facilities and Services -- Capital Improvement Plan” herein), half of which has already been financed by Sun Valley Water and Sewer District. The City is responsible for the other half of the Project construction costs, estimated to be \$3,625,000, a portion of which has already been financed by the City in 2004.

On February 7, 2006, City voters approved a proposition to issue up to \$2.8 million of City Revenue Bonds for water system improvements to be paid from the City’s water system revenues over a period not to exceed 30 years. Improvements and betterments to the domestic water system include replacing leaky water lines. The existing water lines, steel pipes that are at least 40 years old, will be replaced with PVC and ductile iron pipes that have projected life spans of 75 to 100 years.

Final election results, which require a simple majority for passage, were as follows:

City of Ketchum – Special Elections
February 3, 2004 – Up to \$3.72 million Sewer Revenue Bonds
February 7, 2006 – Up to \$2.8 million Water Revenue Bonds

<u>Up to \$3.72 million Sewer Rev. Bond</u>			<u>Up to \$2.8 million Water Rev. Bond</u>		
	Number of Votes	Percentage of Total Votes		Number of Votes	Percentage of Total Votes
Yes	213	95.1%		121	90.3%
No	<u>11</u>	<u>4.9</u>		<u>13</u>	<u>9.7</u>
Total	224	100%		134	100.0%

Source: Blaine County Clerk's Office.

The City also plans to use proceeds from the City Revenue Bonds, Series 2006, to refinance (the "City Water Refunding Revenue Bonds") all of its outstanding Water Revenue Bonds, Series 1998 (the "1998 Water Bonds"), dated July 15, 1998. Proceeds of the 1998 Water Bonds were used to acquire and construct two one-million gallon storage tanks, and to install booster equipment, yard piping, approximately 2.23 miles of distribution line, one new fire hydrant attached to the new lines, and a new supervisory control and data acquisition ("SCADA") system.

A portion of the proceeds of the City Water Refunding Revenue Bonds will be used to provide funds to establish an irrevocable trust escrow pursuant to an escrow deposit agreement between the City and the Trustee to refund all of the City's outstanding 1998 Water Bonds, as shown in the following table.

1998 Water Bonds

Total Amount Outstanding	Refunded Maturities	Amount Refunded	Call Date	Call Price⁽¹⁾
\$3,105,000	2006-2027	\$3,105,000	09/01/2008	100

(1) Call price is expressed as a percentage of the principal amount.

1998 Water Bonds – Refunded Maturities

Refunded Maturities	Amount Refunded	CUSIP 492651	Refunded Maturities	Amount Refunded	CUSIP 492651
2006	\$ 80,000	AV6	2015	\$ 125,000	BE3
2007	85,000	AW4	2016	130,000	BF0
2008	90,000	AX2	2017	135,000	BG8
2009	100,000	AY0	2018	145,000	BH6
2010	100,000	AZ7	2019	150,000	BJ2
2011	105,000	BA1	2020	155,000	BK9
2012	105,000	BB9			
2013	110,000	BC7			
2014	120,000	BD5	2027 Term	1,370,000	BS2

From the proceeds of the City Water Revenue Refunding Bonds and with other monies available, the City will purchase certain direct United States government obligations (referred to herein as "Government Obligations"). These Government Obligations will be deposited in the custody of the Trustee. The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide payment of interest on the 1998 Water Bonds beginning September 1, 2006, and provide funds sufficient to redeem all remaining principal on September 1, 2008.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the 1998 Water Bonds by the Trustee, pursuant to the escrow deposit agreement.

Balukoff Lindstrom, Boise, Idaho, independent certified public accountants, will verify the accuracy of (i) the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations, together with other escrowed moneys, to be placed in the escrow account to pay when due, pursuant to stated maturity or call for redemption, as the case may be, the principal of, premium, if any, and interest on the 1998 Water Bonds and (ii) the mathematical computations of the yield on the 1998 Water Bonds and the yield on the Government Obligations purchased with a portion of the proceeds of the sale of the City Water Revenue Refunding Bonds. Bond Counsel has relied upon such information set forth in the accountants' report in concluding that, subject to the condition that the City comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, (the "Code") under present law, interest on the City Water Revenue Refunding Bonds is not includible in gross income of the owners thereof for federal income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations.

Authority

The City Council has adopted ordinances setting forth the security pledge for payment of the revenue bonds to be issued under the Revenue Bond Act evidenced by Loans from the Authority, and authorizing the City to enter into Loan Agreements with the Authority. Loan proceeds will be used for improvements to water facilities, wastewater facilities and/or to refinancing outstanding revenue bonds.

Revenue Bond Ordinances

Project	Ordinance No.	Date Adopted
Water	981	April 17, 2006
Water Refunding	983	April 17, 2006
Wastewater	982	April 17, 2006

Source: City of Ketchum.

Management

Form of Government

The City is managed by a Mayor- Council form of government pursuant to Title 50 of the Idaho Code, as amended, and the City Code. Mayors are elected at-large on a non-partisan ballot for a four-year term. The Council is composed of four members who are elected to staggered 4-year terms of office. The Council has oversight, responsibility and control over all activities related to the City. Following is a list of current elected officials, their occupations and their terms of office.

Mayor and City Council Members

Council Members	Occupation	Term Commenced	Term Expires
Randall C. Hall, Mayor	Paramedic	January 2006	January 2010
Baird Gourlay, President	Retail Shop Owner	January 2006	January 2010
Ronald Parsons	Retired Public Employee	January 2006	January 2010
Steven Shafran	Businessman	January 2006	January 2008
Terry Tracy	Retired Public Employee	January 2004	January 2008

Rate Setting Authority

Rates and charges for services are established by the City Council and are not subject to review or approval by any federal or State regulatory agency.

Key Administrators

The administrative and management staff of the City includes three appointed officials and additional classified management personnel. All appointed officials are nominated by the Mayor and approved by the Council.

Key Administrators

Council Members	Position
Ron LeBlanc	City Administrator
Benjamin Worst	City Attorney
Sandra E. Cady	City Treasurer/Clerk

System Management

The Water System and the Wastewater System are managed by the City's Utilities Department pursuant to City Ordinance No. 439 with Steve Hansen appointed to serve as the Utilities Manager. The Utilities Department combined the former Water Department and Wastewater Department in 2003.

Staff

In Fiscal Year 2005, the City had 77 full-time employees. The City employs part-time and seasonal employees to assist with peak demands. The City's Fire Department is supported by 12 full-time employees, who are included in the City's total of 77 full-time employees, and 42 paid on-call firefighters.

The City does not have any labor agreements or collective bargaining units.

Pension Plan

The City's employees are covered under PERSI as described in Appendix F. The City contributions required and paid were \$518,228, \$471,694, and \$351,805 for the three years ended September 30, 2005, 2004, and 2003 respectively. Unfunded actuarial liability is paid through employee and employer contribution rates of multiple-employers as determined by the PERSI Board of Trustees.

Other Postemployment Benefits

All postemployment benefits are paid by the State pursuant to Chapter 59, Idaho Code. The City does not have any liability for other postemployment benefits.

Water and Wastewater System

Water System

The City owns and operates the water treatment and distribution system and collects rates, fees and charges for the use of the system. Water is supplied from six groundwater wells.

Wastewater System

The City owns the wastewater system (the "Wastewater System") for the collection of wastewater within the City. Connections to the Wastewater System are mandatory under City ordinance; septic tanks are not allowed.

The collection system includes 30 miles of pipelines feeding to a wastewater treatment plant (the "Treatment Plant"). Wastewater is transported to the Treatment Plant that is jointly owned by the City and the Sun Valley Water and Sewer District (the "District").

The District pays a proportion of the operating costs according to their share of the monthly flows. The cost of Treatment Plant improvements are split approximately 50/50 between the City and the neighboring Sun Valley Water and Sewer District.

Service Area

The City currently serves about 3,760 people represented by 1,817 water accounts and 2,163 sewer accounts.

The City Treatment Plant that is jointly owned by the City and the Sun Valley Water and Sewer District and treats waste generated from both the City and the District. The City also treats the waste from the Weyyakkin Subdivision that is located in the City of Sun Valley, but outside the boundary of the Sun Valley Water and Sewer District.

The City's Water System provides water to properties within the City and to the Weyyakkin Subdivision.

A few domestic wells and septic systems currently exist within the City limits; however, as septic systems fail and development occurs, connection to the System is required.

Population

	1980	1990	2000	2004 ⁽¹⁾
Blaine County	9,841	13,552	18,991	21,103
City of Ketchum	2,200	2,523	3,003	3,142
City of Sun Valley	545	938	1,427	1,453

(1) Bureau of the Census estimates.

Source: Idaho Commerce and Labor, <http://community.idaho.gov/Profiles/tabid/440/Default.aspx>, March 18, 2006.

Blaine County Major Employers (As of March 21, 2006)

Employer	Location	Product/Service	No. of Employees
Sun Valley Company	Sun Valley	Hospitality	1,332
Blaine County School District ⁽¹⁾	Hailey	Education	508
St. Luke's Wood River Medical Center	Ketchum	Hospital	260
Atkinson's Market & The Drug Company ⁽²⁾	Ketchum	Retail Grocery & Pharmacy	250
Power Engineers	Hailey	Engineering	190
Webb Nursery and Landscaping ⁽³⁾	Ketchum	Landscaping	150
Blaine County Administration ⁽⁴⁾	Hailey	Government	140
Marketron	Hailey	Media traffic software	112
City of Ketchum⁽⁵⁾	Ketchum	Government	77
Sun Valley Garden Center and Landscaping ⁽⁶⁾	Sun Valley	Landscaping	10

(1) District has 225 classified staff members, and 283 certified.

(2) Corporate office in Ketchum, has locations in Hailey and Bellevue as well.

(3) Webb Nursery

(4) Full time; part-time employees and volunteers are not included.

(5) Full time; part-time employees and volunteers are not included.

(6) During winter season, in the peak season employment can expand to 70+.

Source: Human Resource Departments of individual employers.

The Sun Valley/Ketchum Chamber & Visitors Bureau reported that Dean Runyen Associates conducted a study on employment in Blaine County in 2001 and found that 70 percent of all jobs in the County are in Ketchum and Sun Valley, that about half of the people employed in Ketchum and Sun Valley reside elsewhere and that some employed residents may hold more than one part-time job or own more than one business. Employment figures for Blaine County follow:

**Blaine County
Annual Average Labor Force Data**

Year	Civilian Labor Force	Unemployment	Percent Unemployed	Total Employment
2005	13,877	390	2.8%	13,487
2004	13,463	467	3.5	12,996
2003	12,754	527	4.1	12,226
2002	12,928	505	3.9	12,422
2001	12,433	408	3.3	12,025

Source: Idaho Commerce and Labor, Blaine County Profile, January 2006, <http://cl.idaho.gov/lmi/pubs/BlaineProfile.pdf>, March 18, 2006.

Water System

Rates and Charges

City Resolution No. 06-045 ("Resolution 06-045"), adopted March 20, 2006, established the rates for water effective April 1, 2006. Connection fees did not change from rates in effect immediately prior to the effective date of Resolution 06-045. This is a programmed rate increase. The City last raised rates as of October 1, 2005. The previous water charges and fees had not been revised since June 18, 2001.

The general user charge will be assessed at the time the City has activated the City water service line. The fire user charge will be assessed at the time the City has completed the inspection and testing of the fire line. Customers are responsible for the cost of tapping the public water main, construction of the water service line, meter box, curb stop and meter setter, the backfilling of the trench, and replacement and compaction of any gravel or asphalt surfacing. Customers may request the City to tap the public water main and install a corporate stop at an additional charge of \$175 for a 1" tap, \$190 for a 1.5" tap, and \$205 for a 2" tap.

Water Connection Fees

Standard Connection Fee	
Water Service Line Connection Size	Fee
1"	\$375
1.5" standard	630
1.5" turbo	955
2" standard	770
2" turbo	1,350
2" compound	1,885
3"	2,320
4"	3,600
6"	6,250
Non-Standard Connection Fee	Fee is based on time and material costs to the City.
Fire Line Permit Fee	\$200/connection
Turn-on Fee	\$10/meter
Turn-off Fee	\$10/meter removal or account inactivity

Source: Resolution 06-045.

Domestic water users are charged for all metered and non-metered water, as follows:

Residential and Commercial Water User Charges

Metered Water User Charges ⁽¹⁾				
Gallons Supplied	Charge Prior to 4/1/06		Charge As of 4/1/06	
Up to 5,000 (minimum charge per unit)	\$7.21		\$7.79	
Additional 5,001 to 20,000	\$0.64 /1,000 gallons		\$0.69 /1,000 gallons	
Additional 20,001 to 100,000	\$0.95/1,000 gallons		\$1.03/1,000 gallons	
Additional 100,001 or more	\$1.22/1,000 gallons		\$1.32/1,000 gallons	
Non-Metered User Charges ⁽¹⁾	Residential Monthly Rate per Unit ⁽²⁾		Commercial Monthly Rate per Unit	
	Prior to 4/1/06	As of 4/1/06	Prior to 4/1/06	As of 4/1/06
	Up to 5 cold water taps	\$12.74	\$13.76	\$19.56
For each additional cold water tap	\$1.19	\$1.28	\$1.65	\$1.78
Irrigation and sprinkling per each 1,000 square feet of lot area	\$0.45	\$0.48	\$0.45	\$0.48
Fire User Charges ⁽³⁾				
Size of Fire Connection	Monthly Charge	Size of Fire Connection	Monthly Charge	
2"	\$5	8"	\$30	
4"	10	10"	40	
6"	20	12"	50	
Other Charges ⁽⁴⁾				
Tank Truck Charge		\$10 per load of water		
Fire Hydrant Charge		\$10 per day		

- (1) The general user charge is assessed at the time the City activates the City water service line.
(2) A 50 percent discount for senior citizens over the age of 65-years applies to the residential flat rate.
(3) The fire user charge, which did not change under Resolution 06-045, is assessed at the time the City completes the inspection and testing of the fire line.
(4) Rates did not change under Resolution 06-045.

Source: Resolution 06-045.

In addition to connection fees, the City imposes an "impact fee" for new users, scaled to the size of the meter and designed to cover the cost of necessary capital improvements to serve new growth and prevent growth from increasing costs to existing customers. The impact fee is established by City Ordinance and fees are collected at the time of application for a building permit.

Impact Fees Based on Service Meter Connections

Service Meter Size	Capacity Ratio	Impact Fee
1"	1.00	\$ 3,400
1 ½"	2.25	7,650
2"	4.00	13,600
3"	9.00	30,600
4"	16.00	54,400
6"	36.00	122,400
8"	64.00	217,600
10"	100.00	340,000

Source: City of Ketchum Utilities Department, <http://ketchumidaho.org/pdf/DevelopmentImpactFees.pdf>, February 22, 2006.

Customers

The Water System serves 1,817 customers of which approximately 75 percent are residential (including multi-family), and 25 percent are commercial/industrial. The City is authorized to contract for extension of services outside the City limits provided that such service does not impair City resident services. The City serves one customer outside its boundaries. Users outside the City limits may not be charged less for service than resident users, but may be charged more.

Water demand is seasonal in nature, ranging from a low of approximately 43 million gallons during April to a peak of approximately 116 million gallons during August. Set forth in the following chart is a five-year history of water consumption and the annual percentage change:

Historic Water Consumption

Years	Millions Gallons	Annual Change (%)
2005	1,099	-5.83%
2004	1,167	-2.99
2003	1,203	1.95
2002	1,180	-1.67
2001	1,200	--

Source: City of Ketchum, March 17, 2006.

**Water System Users – Customer Breakdown
(Fiscal Year 2005)**

	Metered Accounts/Units	Flat Rate Accounts/Units	Total Accounts/Units
Single-Family	759/837	108/111	836/948
Multi-Living	471/1,648	85/717	526/2,365
Commercial	163/503	135/357	298/860
Irrigation	96/104	--	96/104
Total	1,489/3,092	328/1,185	1,817/2,277

Source: City of Ketchum, March 17, 2006.

**Ten Largest Water Consumers
(Fiscal Year 2005)**

	Customer	Amount Paid	% of Total Water User Charges
1.	Weyyakin Homeowners Assoc.	\$ 23,526	3.06%
2.	Thunger Spring Homeowners Assoc.	10,747	1.40
3.	Heinz Family	7,191	0.94
4.	Prospector Homeowners Assoc.	6,721	0.88
5.	Four Seasons Homeowners Assoc.	4,281	0.56
6.	Sun Valley Company	4,154	0.54
7.	RGL LLC	3,843	0.50
8.	Fields @ Warm Springs	3,548	0.46
9.	Ali Fayed	2,364	0.30
10.	James Baldwin	2,140	0.28
Total System		<u><u>\$767,945</u></u>	

Source: City of Ketchum, March 17, 2006.

Plant and Facilities

Supply to the domestic water system is provided from six separate groundwater wells located throughout the City. Provisions are set up at each well for chlorination disinfection. The overall system maximum pumping capacity was calculated to be 7.6 million gallons per day ("mgd") production for all six well sources. This is comprised of the following well flow potentials:

Well Water Flow

Well No. 1	Warm Springs Well	1,000 gpm ⁽¹⁾
Well No. 2	Rotary Park Well	300 gpm
Well No. 3	Northwood Well	2,000 gpm
Well No. 4	Bigwood Well	500 gpm
Well No. 5	Trailcreek Well	800 gpm
Well No. 6	Parkwood Well	700 gpm

(1) Gallons per minute.

The City's current distribution system consists of approximately 38.3 miles of pipe comprised of the following sizes:

Distribution System Pipe

Less than 6" Piping	3.70 miles	19,557 feet
6" Piping	11.04 miles	58,310 feet
8" Piping	11.02 miles	58,187 feet
10" Piping	5.01 miles	26,472 feet
12" Piping	7.24 miles	38,232 feet
14" Piping	0.25 miles	1,315 feet
Greater than 14" Piping	0.03 miles	132 feet

The City's water system contains two booster pump stations, the Warm Springs Booster Station in the Central Pressure Zone and the Bigwood Booster Station in the Bigwood Pressure Zone.

The Warm Springs Booster Station draws water from the Warm Springs Storage Tank and consists of a series of three vertical mixed flow constant speed pumps; a 40 horsepower for low flow, a 150 horsepower variable speed pump for higher flow and a 250 horsepower pump for high flow and fire demand. This station has a

backup power supply in the form of a standby diesel generator which will supply power for the 40 horsepower pump and the 150 horsepower pump.

The Bigwood Booster Station draws water from the Central Pressure Zone and boosts it into the Bigwood Pressure Zone. This station consists of three booster pumps; a 40 horsepower variable speed, a 40 horsepower constant speed and a 100 horsepower fire pump. It also has a standby automatically operated diesel generator that can supply power to all three of the booster pumps.

The purpose of the reservoir storage system in the City is to provide for flow equalization throughout the course of the day and to store water for fire flow and other emergency demands. (See "Warm Springs Storage Tank" below.) The existing Water System has a storage capacity of one million gallons – about 809 gallons per person. This is above the national average annual water use of 60 to 250 gallons per capita per day ("gpcd"). In a population study recently completed for use in the Ketchum/Sun Valley Wastewater Facilities Plan, due to the high number of second home residents and tourists, an average annual "equivalent" population was estimated to be 4,550. Utilizing the "equivalent" population figure, water storage of 530 gpcd is required.

The Idaho Surveying and Rating Bureau recommends that a community be capable of providing 3,200 gpm for a two-hour duration to combat a structure fire within its limits. The wells can provide 5,300 gpm, and consequently a 3,200 gpm fire demand would not empty the storage tank even if there were other concurrent uses, like drinking water, sanitary or culinary uses. Water consumption and demand estimates indicate that 1,673 gallons is needed to supply the City's residents, on an average basis, while providing for adequate fire flow. The proposed Water System improvements include the acquisition and construction of two one-million gallon buried concrete water storage tanks, which will increase the pressure in the system and the storage capacity to accommodate future growth.

The Warm Springs Storage Tank is a below grade one million gallon concrete storage tank. It is located adjacent to the Warm Springs Booster Station on Warm Springs Road. Warm Springs Well is the only source of water to the tank. The water surface level in the tank controls this well. Water is boosted from the storage tank into the distribution system by the Warm Springs Booster Station.

All wells except the Trailcreek well have chlorination facilities. Chlorine is added prior to delivery into the distribution system at each well. The new reservoirs will allow for chlorine detention time at the Bigwood well before delivery to customers.

Capital Improvement Plan

The capital improvements are described in the Facilities Plan Update. The Planning and Zoning Commission and City Council are in the process of adopting the Fiscal Year 2007-2012 Capital Improvement Plan.

Capital Improvement Plan – Water Projects

Project	Source of Funds	2006	2007	2008	2009	2010	2011	2012	Total Estimated Cost
Replacement of Spring Water System	Revenue Bond	\$ 515,280	\$ 989,200	\$ 873,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,378,140
Add meters to flat rate customers	Water Capital Fund and Urban Renewal District	0	75,000	75,000	50,000	50,000	0	0	250,000
Convert touch-read meters to radio read	Water Capital Fund and Impact Fees	15,000	15,000	15,000	15,000	15,000	0	0	75,000
Replace incorrect reading meters	Water Capital Fund	0	10,000	10,000	10,000	10,000	10,000	10,000	60,000
Add well near Griffen Butte Rural Fire Station	Water Capital Fund and Revenue Bond	0	0	0	0	905,000	0	0	905,000
Hydrant relocations	Urban Renewal District	15,000	15,000	15,000	15,000	0	0	0	60,000
Modify Bigwood Booster to bypass more flow	Water Capital Fund and Impact Fees	0	0	0	0	40,000	0	0	40,000
SCADA System improvements – well levels	Water Capital Fund	0	0	65,000	0	0	0	0	65,000
South zone pressure reducing valves	Water Capital Fund	0	0	0	0	0	0	80,000	80,000
Connect Trailcreek Well to Bigwood PZ	Water Capital Fund	0	0	0	0	400,000	340,000	0	740,000
Distribution improvements (Hwy 75 – Saddle Road to 10 th Street)	Water Capital Fund and Urban Renewal District	0	0	0	348,000	0	0	0	348,000
Waterline: Spur Lane and Saddle Road	Revenue Bond	0	0	0	0	530,000	0	0	530,000
Warm Springs storage tank	Water Capital Fund and Revenue Bond	0	0	0	0	0	336,000	2,064,000	2,400,000
Waterline: Parkway Drive to Third Avenue	Water Capital Fund	0	0	0	105,000	0	0	0	105,000
Waterline: Glade Court to River Run	Water Capital Fund and Impact Fees	0	0	0	0	0	0	500,000	500,000
Total:		\$ 545,280	\$ 1,104,200	\$ 1,053,660	\$ 543,000	\$ 1,950,000	\$ 686,000	\$ 2,654,000	\$ 8,536,140

Source: City of Ketchum Capital Improvement Plan, March 2006.

Wastewater System

Rates and Charges

The City Council passed and the Mayor approved Resolution No. 04-081 on September 29, 2004, which became effective on October 1, 2004. Resolution No. 04-081 increased the City's Wastewater rates by approximately 15 percent over the prior rates. The City intends to increase rates to continue to meet its obligations. A new rate plan will be presented to the City Council as part of the budget process this summer.

Current rates and charges follow:

Wastewater Rates and Charges (As of October 2004)

Classification ⁽¹⁾	Rate	Classification ⁽¹⁾	Rate
Single Family Home	\$15.00	Theatre/screen	\$30.00
Multiple Living Unit	15.00	Nursery School	30.00
Motel, Hotel (1 st unit)	15.00	Church	30.00
Office Bulding/1500 sq. ft.	15.00	Private Lodge/3000 sq. ft.	30.00
Retail Sales/3000 sq. ft.	15.00	Dentist or Doctor/MD	16.16
Restaurant or Café/seat with trap	1.50	Car Wash with recycling	16.16
Restaurant or Café/seat without trap	1.50	Hospital/Bed	3.00
Retail Food/1500 sq. ft.	15.00	Bowling Alley/Lane	6.00
Barber Shop/chair	7.50	Car Wash/bay	30.00
Beauty Salon/operator	15.00	Commercial/3000 sq. ft.	15.00
Dry Cleaners	30.00	Photo Development Lab	30.00
Garage or Mechanical/1500 sq. ft.	30.00	Self Service Gas Station	30.00
Laundries	60.00	Warehouse/6000 sq. ft.	15.00
Bank	30.00	Public Swimming Pool/500 sq. ft.	11.25
School/50 students	15.00	Motel or hotel unit without cooking	3.75
Private Swimming Pool/500 sq. ft.	3.75	Motel or hotel unit with cooking	7.50
Bear, Wine, Liquor	30.00	Senior Family Living Home ⁽²⁾	7.50

(1) A single user having more than one classification shall be charged by the City under Resolution No. 04-081 for the sum of all applicable classifications.

(2) All persons 65-years of age and older who are assessed a monthly wastewater fee for their residence in the City and who are the property owners of said residence qualify for a monthly rate for Senior Citizen Single Family Home.

Source: City Resolution No. 04-081, passed by the City Council and approved by the Mayor on September 29, 2004.

Wastewater Impact Fees

Use	Impact Fee	Equivalent Connections
Single Family Dwelling	\$2,400	1.00
Hotel (per room)	1,200	0.50
Studio apartments, condos, duplexes (per unit)	1,200	0.50
1-Bedroom apartments, condos, duplexes (per unit)	1,800	0.75
2-Bedroom apartments, condos, duplexes (per unit)	2,400	1.00
3-Bedroom apartments, condos, duplexes (per unit)	3,000	1.25
Bars, restaurants (1,000 square feet)	6,000	2.50
Office building, retail store, light industrial shop or other commercial structure, (3,000 square feet)	3,600	1.50
Laundries (500 square feet)	4,800	2.00
Warehouse (6,000 square feet)	1,200	0.50
Swimming pool, (4,000 square feet)	4,800	2.00
Gymnasium (6,000 square feet)	7,200	3.00
Tennis court (20,000 square feet)	3,600	1.50
Public Bunk House (6,000 square feet)	7,200	3.00

Source: City of Ketchum Utilities Department, <http://ketchumidaho.org/pdf/DevelopmentImpactFees.pdf>, February 27, 2006.

Wastewater Revenues from Usage

Year ⁽¹⁾	Amount per ECU ⁽²⁾	Monthly Rate Per ECU	Total Revenues
2005	\$2,400	\$15	\$215,589
2004	1,500	15 ⁽³⁾	146,593
2003	1,500	13	87,421
2002	1,500	13	85,447
2001	1,500	13	166,865

(1) Fiscal Years.

(2) "ECU" means Equivalent Connections Unit.

(3) The City raised its Wastewater rates effective October 1, 2004.

Source: City of Ketchum, March 2006.

The largest wastewater users in the City are listed below:

Twelve Largest Wastewater Consumers (Fiscal Year 2004-05)

	Customer	Amount Paid	% of Total Wastewater User Charges
1.	Weyyakin Homeowners Assoc.	\$ 3,998	4.09%
2.	Parkside Village Owners Inc.	3,323	3.40
3.	Prospector Homeowners Assoc.	3,116	3.19
4.	IVCOA	3,064	3.13
5.	Wildwood Homeowners Assoc.	2,545	2.60
6.	The Fields At Warm Springs	2,233	2.28
7.	Limelight Condominiums	1,973	2.02
8.	Four Seasons Condo Assoc.	1,674	1.71
9.	Krystal Villa II	1,674	1.71
10.	BV Partners	1,662	1.70
11.	Horizon 4	1,662	1.70
12.	Saddle View Condo Assoc.	1,662	1.70
	Total System	\$977,444	

**Usage Customer Breakdown
(As of Fiscal Year 2005)**

Classification⁽¹⁾	No. of Accounts	Units
Single Family Home	872	904
Multiple Living Unit	679	2,243
Motel, Hotel (1 st unit)	6	7
Office Bulding/1500 sq. ft.	106	350
Retail Sales/3000 sq. ft.	104	213
Restaurant or Café/seat with trap	32	2,097
Restaurant or Café/seat without trap	18	798
Retail Food/1500 sq. ft.	9	16
Barber Shop/chair	1	1
Beauty Salon/operator	8	22
Dry Cleaners	2	2
Garage or Mechanical/1500 sq. ft.	6	6
Laundries	3	3
Bank	5	5
School/50 students	1	9
Private Swimming Pool/500 sq. ft.	26	40
Bear, Wine, Liquor	52	55
Theatre/screen	3	7
Nursery School	7	7
Church	2	2
Private Lodge/3000 sq. ft.	13	17
Dentist or Doctor/MD	9	22
Car Wash with recycling	1	3
Car Wash/bay	1	1
Commercial/3000 sq. ft.	69	199
Photo Development Lab	2	2
Self Service Gas Station	4	4
Warehouse/6000 sq. ft.	12	17
Public Swimming Pool/500 sq. ft.	1	4
Motel or hotel unit without cooking	9	241
Motel or hotel unit with cooking	4	62
Senior Family Living Home ⁽²⁾	96	97
Total	2,163	7,456

(1) A single user having more than one classification shall be charged by the City under Resolution No. 04-081 for the sum of all applicable classifications.

(2) All persons 65-years of age and older who are assessed a monthly wastewater fee for their residence in the City and who are the property owners of said residence qualify for a monthly rate for Senior Citizen Single Family Home.

Sources: City Resolution No. 04-081, passed by the City Council and approved by the Mayor on September 29, 2004, and City of Ketchum, March 2006.

Plant and Facilities

The Treatment Plant consists of two 500,000 gallon basins. Aeration in each basin is supplied by bubble ceramic diffusers. An activated sludge system consists of both the aeration basin and the clarifier. The microorganisms of the activated sludge system breakdown waste and create settleable cell mass called mixed liquor suspended solids ("MLSS"). The clarifier capacity was improved in 2000. It consists of two clarifiers with a combined surface area of 10,780 square feet.

In 2004, the City and the District financed improvements to a jointly owned wastewater collection system that consisted generally of, but is not limited to, electrical controls upgrade, new aeration basins, ultra-violet

disinfection system, and filtration system improvements, and costs incidental thereto. The current Treatment Plant capacity is 2.5 MGD.

The administrative offices for the Ketchum Utilities Department, Water Utility Shop and equipment and a covered sludge disposal building are located at the Treatment Plant site.

**Wastewater Treatment Plant
Flows and Loads**

Flows and Load	1999 Facilities Plan	September 2001- -August 2002	Build-out Level
Average Annual Flow (mgd)	1.79	1.59	4.02
Peak Month Flow (mgd)	2.47	1.98	5.02
Peak Day Flow (mgd)	2.73	2.41	6.02
Peak Hour Flow (mgd)	3.43	--	7.53
Average Annual BOD Load (lb/d)	1,517	1,672	4,325
Current Peak Month BOD Load (lb/d)	2,124	2,302	5,400
Average Annual TSS Load (lb/d)	1,686	1,847	4,895
Current Peak Month TSS Load (lb/d)	2,529	2,862	6,113
Average Annual Total P Load (lb/d)	42	49	123
Current Peak Month Total P Load (lb/d)	55	69	154

Source: Ketchum/Sun Valley Wastewater Improvements, Wastewater Facilities Plan Update, April 2003.

Capital Improvement Plan

The Wastewater Facilities Plan Update (the "Plan"), prepared by Donohue & Associates (now Pharmer Engineering, LLC), was presented to the City and the District in March 2003. Pharmer Engineering recommended electrical upgrades, instrumentation upgrades, ultra violet disinfection, aeration basins and filtration improvements. The recommendations are based on: (a) the aeration basins and chlorine disinfection processes nearing their maximum capacities, (b) infrastructure improvements needed to be in place before improvements can be made to unit processes (i.e., electrical upgrade and generator are required for a new disinfection system and a SCADA system is required to improve monitoring and control), and (c) new 2006 permit limits. The Big Wood River Watershed Management Plan establishes pollutant total maximum daily load ("TMDL") for the Big Wood River, into which the Treatment Plant discharges. New limits will drastically reduce the allowable discharge for total suspended solids ("TSS"), total phosphorus ("TP") and E. coli. A filtration system will be required to meet low TSS and TP limits. Projects related to current capacity constraints, infrastructure and TMDL levels are scheduled in the Plan to be installed within the next two years. Subsequent improvements are dependent upon future flow and load increases and the timing of future improvements is subject to change.

**Capital Improvement Plan – Wastewater Projects
Recommended Schedule and Estimated Costs**

Project	Source of Funds	2006	2007	2008	2009	2010	2011	2012	Total Estimated Cost
Activated Sludge System	Revenue Bond	\$ 1,775,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,775,000
Repair and replace Lewis St. sewer main	Wastewater Revenues	0	4,200	25,800	0	0	0	0	30,000
Effluent filtration	Revenue Bond	2,725,000	0	0	0	0	0	0	2,725,000
Aerobic digester tanks	Revenue Bond	0	75,000	0	0	1,450,000	1,525,000	0	3,050,000
Belt filter press and building	Wastewater Revenues	0	0	0	0	0	0	1,482,000	1,482,000
Headworks	Wastewater Revenues	0	0	0	0	0	0	33,000	33,000
Aeration blower #4	Wastewater Revenues	0	0	0	0	0	0	250,000	250,000
Water reuse	Wastewater Revenues	0	50,000	0	0	0	0	0	50,000
Replace Main A	Wastewater Revenues	0	0	0	0	0	0	389,000	389,000
Replace Main C	Wastewater Revenues	0	0	0	0	0	0	135,660	135,660
Replace Main E	Wastewater Revenues	0	0	0	0	0	0	703,380	703,380
Total:		\$ 4,500,000	\$ 129,200	\$ 25,800	\$ 0	\$ 1,450,000	\$ 1,525,000	\$ 2,993,040	\$ 10,623,040

Source: Ketchum/Sun Valley Wastewater Improvements, Wastewater Facilities Plan Update, April 2003.

System Financial Information

A three-year Summary of Net Assets and Changes in Net Assets for the City's Water Fund and Wastewater Fund follows.

**Water Fund and Wastewater Fund
Summary of Net Assets and Changes in Net Assets
(Fiscal Years)**

Water Fund	2003	2004	2005
<i>Statement of Net Assets</i>			
Total Assets	\$ 6,199,543	\$ 6,144,808	\$ 5,990,572
Total Liabilities	<u>3,260,000</u>	<u>3,214,779</u>	<u>3,171,181</u>
Total Net Assets	<u>\$ 2,939,543</u>	<u>\$ 2,930,029</u>	<u>\$ 2,819,391</u>
Invested in Capital Assets, net of Related Debt	\$ 2,018,442	\$ 1,904,838	\$ 1,815,427
Restricted	242,275	242,613	243,400
Unrestricted	<u>678,826</u>	<u>782,578</u>	<u>760,564</u>
Total Net Assets	<u>\$ 2,939,543</u>	<u>\$ 2,930,029</u>	<u>\$ 2,819,391</u>
<i>Statement of Revenues, Expenditures, and Changes in Net Assets</i>			
Charges for Services	\$ 802,196	\$ 853,898	\$ 767,945
Hookups and connections	138,535	22,161	200,537
Reimbursements and Misc.	<u>10,268</u>	<u>5,024</u>	<u>10,877</u>
Operating Revenues	950,999	1,081,083	979,359
Operating Expenses	<u>939,597</u>	<u>947,306</u>	<u>960,831</u>
Operating Income	11,402	133,777	18,528
Nonoperating revenues (expenses)	<u>(138,708)</u>	<u>(143,291)</u>	<u>(129,166)</u>
Net Income (Loss)	<u>(127,306)</u>	<u>(9,514)</u>	<u>(110,638)</u>
Total Net Assets - Beginning	<u>3,066,849</u>	<u>2,939,543</u>	<u>2,930,029</u>
Total Net Assets - Ending	<u>\$ 2,939,543</u>	<u>\$ 2,930,029</u>	<u>\$ 2,819,391</u>
Wastewater Fund	2003	2004	2005
<i>Statement of Net Assets</i>			
Total Assets	\$ 4,154,059	\$ 4,376,483	\$ 6,885,232
Total Liabilities	<u>0</u>	<u>69,440</u>	<u>2,241,472</u>
Net Assets or Fund Equity	<u>\$ 4,154,059</u>	<u>\$ 4,307,043</u>	<u>\$ 4,643,760</u>
Invested in Capital Assets, net of Related Debt	\$ 2,878,822	\$ 3,446,711	\$ 2,629,487
Restricted	0	0	1,853,816
Unrestricted	<u>1,275,237</u>	<u>860,332</u>	<u>160,457</u>
Total Net Assets	<u>\$ 4,154,059</u>	<u>\$ 4,307,043</u>	<u>\$ 4,643,760</u>
<i>Statement of Revenues, Expenditures, and Changes in Net Assets</i>			
Charges for Services	\$ 9,921,100	\$ 835,600	\$ 977,444
Hookups and connections	253,044	295,039	455,066
Reimbursements and Misc.	<u>1,263</u>	<u>878</u>	<u>2,139</u>
Operating Revenues	1,175,407	1,131,517	1,434,649
Operating Expenses	<u>1,021,610</u>	<u>1,001,649</u>	<u>1,110,419</u>
Operating Income	153,797	129,868	324,230
Net Income (Loss)	<u>185,288</u>	<u>152,984</u>	<u>336,717</u>
Total Net Assets - Beginning	<u>3,968,771</u>	<u>4,154,059</u>	<u>4,307,043</u>
Total Net Assets - Ending	<u>\$ 4,154,059</u>	<u>\$ 4,307,043</u>	<u>\$ 4,643,760</u>

Source: City of Ketchum Audited Financial Statements.

Adopted Budget
(Fiscal Year Ending September 30, 2006)

Sources of Funds	Water	Wastewater
Revenues:		
User Charges	\$ 777,000	\$ 800,000
Water Connect Fee-Fire Line	30,000	N/A
Interest Earnings	7,000	N/A
Wastewater Inspection Fees	N/A	2,000
Sun Valley WA &SW District Charge	N/A	250,000
Miscellaneous Revenue	5,000	1,500
Fund Balance	78,747	20,239
Total Sources	\$ 897,747	\$ 1,073,739
Uses of Funds		
Operating expenses:		
Salaries	\$ 271,162	\$ 404,656
Salaries - Administration	88,932	88,932
Pay Differential	15,880	16,410
Overtime	11,480	2,000
FICA Taxes - City	29,640	39,168
State Retirement - City	40,847	53,977
Workman's Compensation - City	11,084	9,069
Health Insurance - City	81,752	100,436
Dental Insurance - City	2,552	3,603
Long Term Disability	1,648	2,234
Vision HRA	664	937
Office Supplies and Postage	1,500	800
Office Supplies and Postage - Admin.	1,200	1,200
Data Processing - Admin.	2,621	3,492
Operating Supplies	6,500	8,100
Laboratory/ Analysis	3,000	N/A
Minor Equipment	500	500
Motor Fuels & Lubricants	7,000	6,500
Computer Software	4,150	4,150
Chemicals	2,500	49,000
Professional Services	18,225	22,625
State Fees	7,000	N/A
Insurance	17,000	21,000
Personnel Training/Travel/Management	3,520	4,200
Telephone & Communications	6,100	4,700
Utilities	92,500	105,000
Repair & Maintenance - Auto Equipment	4,000	7,000
Repair & Maintenance - Mach. Equipment	30,000	20,000
Compensation Study	1,200	1,200
Health Reimbursement Account (HRA)	12,000	16,350
Other Purchased Services	1,500	N/A
Water Easements, Land, etc.	2,450	N/A
Automotive Equipment	28,500	N/A
Collective System Services/ Charge	N/A	42,300
Other Machinery and Equipment	5,000	28,200
Water Meters	45,140	N/A
Construction	39,000	6,000
Total Expenditures	\$ 897,747	\$ 1,073,739

Source: Adopted Budget.

Billing and Collections

The City's Resolution No. 04-081 requires that System user charges are due and payable to the City Clerk by the 20th day of the month billed and upon failure to pay the same, each delinquent user shall pay, in addition to the amount due, a delinquency charge of 10 percent of the amount due. Resolution No. 04-081 also imposes a \$10 charge for returned checks.

Billing is on a quarterly basis. Delinquencies are turned over to the County Assessor and liens are placed on the property.

Environmental Regulations

The City is in compliance with all State and federal Environmental Protection Agency and Department of Environmental Protection Act permits and regulations. Discharge point(s), effluent limitations, monitoring requirements and other requirements are set forth in the City's NPDES Permit No. ID-0020281, which expires June 12, 2006. Application to re-issue the permit is currently in process.

Terms of Debt

Enterprise Fund Obligations

The City's outstanding long term enterprise fund debt is composed of the following issues:

Outstanding Long-Term Borrowings (As of the Date of Delivery; includes this Bond Bank Loan)

Enterprise Fund Obligations	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Wastewater Fund</i>				
Series 2004	12/15/04	12/01/24	\$ 1,990,000	\$ 1,925,000
City Wastewater Revenue Bonds ⁽¹⁾	05/11/06	09/01/25	1,730,000	1,730,000
				<u>\$ 3,655,000</u>
<i>Water Fund</i>				
1998 Water Bonds	07/15/98	09/01/27 ⁽²⁾	\$ 3,405,000	\$ 3,105,000
Less: Refunded Bonds				(3,105,000)
City Water Revenue Bonds ⁽¹⁾	05/11/06	09/01/35	2,780,000	2,780,000
City Water Revenue Refunding Bonds ⁽¹⁾	05/11/06	09/01/27	3,030,000	3,030,000
				<u>\$ 5,810,000</u>

(1) This issue.

(2) The City intends to defease the 1998 Water Bonds with proceeds of the City Water Revenue Refunding Bonds.

Source: Audited Financial Report for the Year Ended September 30, 2005 and this issue.

Capital Leases

The City has certain capital lease agreements for equipment. The current rental payments total \$485,178 with final maturity in Fiscal Year 2011.

Wastewater System -- Debt Service Requirements

Fiscal Year ⁽¹⁾	Sewer Revenue Bonds 2004		City Wastewater Rev. Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2006	\$ 0 ⁽²⁾	\$ 34,993	\$ 20,000	\$ 26,073	\$ 81,065
2007	75,000	68,860	60,000	74,895	278,755
2008	75,000	66,798	60,000	72,495	274,293
2009	80,000	64,660	65,000	70,095	279,755
2010	80,000	62,160	65,000	67,495	274,655
2011	85,000	59,479	70,000	64,895	279,374
2012	85,000	56,610	75,000	62,095	278,705
2013	90,000	53,548	75,000	59,095	277,643
2014	90,000	50,398	80,000	55,345	275,743
2015	95,000	47,184	85,000	51,345	278,529
2016	100,000	43,770	85,000	47,095	275,865
2017	100,000	40,145	90,000	42,845	272,990
2018	105,000	36,353	95,000	39,245	275,598
2019	110,000	32,348	100,000	35,255	277,603
2020	115,000	28,100	105,000	31,005	279,105
2021	120,000	23,575	110,000	26,543	280,118
2022	125,000	18,735	115,000	21,923	280,658
2023	125,000	13,704	120,000	17,035	275,739
2024	130,000	8,491	125,000	11,875	275,366
2025	140,000	2,905	130,000	6,500	279,405
	<u>\$ 1,925,000</u>	<u>\$ 812,813</u>	<u>\$ 1,730,000</u>	<u>\$ 883,148</u>	<u>\$ 5,350,960</u>

(1) Fiscal years ending September 30.

(2) Excludes payments previously made in Fiscal Year 2006.

Source: Audited Financial Statements and Finance Staff updated through date of this Official Statement.

Projected Wastewater System Debt Service Coverage

	2007 ⁽¹⁾	2006 ⁽¹⁾	2005
Operating Revenues			
Charges for services ⁽²⁾	\$ 977,444	\$ 977,444	\$ 977,444
Hook-on fees in excess of cost	455,066	455,066	455,066
Other	2,139	2,139	2,139
Total Operating Revenues	1,434,649	1,434,649	1,434,649
Operating Expenses			
Salaries and Benefits	601,866	601,866	601,866
Administrative and Supplies	288,993	288,993	288,993
Total Operating Expenses ⁽³⁾	890,859	890,859	890,859
Net Operating Income	543,790	543,790	543,790
Add: Interest income	45,657	45,657	45,657
Available for Debt Service	589,447	589,447	589,447
Debt Service			
Sewer Revenue Bonds, Series 2004 ⁽⁴⁾	143,860	135,960	134,138
City Wastewater Revenue Bonds ⁽³⁾	134,895	46,073	0
Total Debt Service	278,755	182,033	134,138
Debt Service Coverage	2.11	3.24	4.39
Available for Other Purposes	\$ 265,035	\$ 361,757	\$ 409,652

(1) Assumes Fiscal Year 2005 Revenues and Expenses do not change.

(2) A new rate plan will be presented to the City Council as part of the budget process this summer.

(3) Excludes depreciation expense.

(4) This issue.

Source: City of Ketchum.

Water System -- Debt Service Requirements

Fiscal Year ⁽¹⁾	City Water Revenue Bonds		City Water Rfdg. Rev. Bonds		Total
	Principal	Interest	Principal	Interest	Debt Service
2006	\$ 0	\$ 43,013	\$ 105,000	\$ 46,109	\$ 194,122
2007	0	124,878	75,000	129,665	329,543
2008	10,000	124,878	90,000	126,665	351,543
2009	10,000	124,478	100,000	123,065	357,543
2010	15,000	124,078	100,000	119,065	358,143
2011	15,000	123,478	105,000	115,065	358,543
2012	20,000	122,878	105,000	110,865	358,743
2013	20,000	122,078	110,000	106,665	358,743
2014	15,000	121,078	120,000	101,165	357,243
2015	15,000	120,328	125,000	95,165	355,493
2016	20,000	119,578	130,000	88,915	358,493
2017	20,000	118,578	135,000	82,415	355,993
2018	20,000	117,778	145,000	77,015	359,793
2019	25,000	116,938	145,000	70,925	357,863
2020	25,000	115,875	150,000	64,763	355,638
2021	25,000	114,813	160,000	58,388	358,200
2022	25,000	113,763	165,000	51,668	355,430
2023	25,000	112,700	175,000	44,655	357,355
2024	25,000	111,630	185,000	37,130	358,760
2025	30,000	110,550	190,000	29,175	359,725
2026	30,000	109,050	200,000	19,675	358,725
2027	25,000	107,550	215,000	9,675	357,225
2028	250,000	106,425	0	0	356,425
2029	265,000	95,175	0	0	360,175
2030	275,000	83,250	0	0	358,250
2031	285,000	70,875	0	0	355,875
2032	300,000	58,050	0	0	358,050
2033	315,000	44,550	0	0	359,550
2034	330,000	30,375	0	0	360,375
2035	345,000	15,525	0	0	360,525
	<u>\$ 2,780,000</u>	<u>\$ 3,024,186</u>	<u>\$ 3,030,000</u>	<u>\$ 1,707,892</u>	<u>\$ 10,542,077</u>

(1) Fiscal years ending September 30.

Source: Audited Financial Statements and Finance Staff updated through date of this Official Statement.

Historic and Projected Water System Debt Service Coverage

	2007 ⁽¹⁾	2006 ⁽¹⁾	2005	2004	2003	2002	2001
Operating Revenues							
Charges for services	\$ 885,901 ⁽²⁾	\$ 885,901 ⁽³⁾	\$ 767,945	\$ 853,898	\$ 802,196	\$ 957,137	\$ 927,824
Hook-on fees in excess of cost	200,537	200,537	200,537	221,161	138,535	0	0
Other	10,877	10,877	10,877	5,024	10,268	0	0
Total Operating Revenues	1,097,315	1,097,315	979,359	1,080,083	950,999	957,137	927,824
Operating Expenses							
Salaries and Benefits	487,573	487,573	469,950	419,837	467,173	423,730	325,537
Administrative and Supplies	249,608	249,608	244,714	282,841	227,412	243,107	192,931
Total Operating Expenses ⁽⁴⁾	737,181	737,181	714,664	702,678	694,585	666,837	518,468
Net Operating Income	360,134	360,134	264,695	377,405	256,414	290,300	409,356
Add: Interest income	27,862	27,862	27,862	16,924	22,592	37,590	94,696
Available for Debt Service	387,996	387,996	292,557	394,329	279,006	327,890	504,052
Debt Service							
Water Revenue Bonds, Series 1998	0	76,694	237,028	235,215	238,365	236,270	166,270
City Water Revenue Refunding Bonds ⁽⁵⁾	204,665	151,109	0	0	0	0	0
City Water Revenue Bonds ⁽⁵⁾	124,878	43,013	0	0	0	0	0
Total Debt Service	329,543	270,816	237,028	235,215	238,365	236,270	166,270
Debt Service Coverage	1.18	1.43	1.23	1.68	1.17	1.39	3.03
Available for Other Purposes	58,453	117,180	55,530	159,114	40,641	91,620	337,782

(1) Except as noted, assumes Fiscal Year 2005 Revenues and Expenses do not change.

(2) The City Council adopted an 8 percent rate increase on March 20, 2006 that took effect April 1, 2006. Such increase is not reflected in the table above.

(3) Rates include a 4 percent increase effective October 1, 2005.

(4) Excludes depreciation expense.

(5) This issue.

Source: City of Ketchum.

Coverage and Reserve Requirement for the City Revenue Bonds, Series 2006

The City has covenanted in its Loan Agreement that it will charge rates for the Wastewater System at levels to provide Revenues less the costs of operations and maintenance sufficient to cover the aggregate principal and interest payments on the City Revenue Bonds by at least 1.25 times in each Fiscal Year.

The Reserve Requirement for the City will be the lesser of: (i) 10 percent of the proceeds of the City Revenue Bonds, (ii) maximum annual principal and interest on the City Revenue Bonds, or (iii) 125 percent of average annual principal and interest on the City Revenue Bonds.

The City intends to fund its Series 2006 Reserve as follows: (i) proceeds from the City Wastewater Revenue Bonds will be used to fund the Series 2006 Reserve for the City Wastewater Revenue Bonds; (ii) monies on hand in the City's existing debt service reserve account of the Water System plus lawfully available monies of the City will be used to fund the Series 2006 Reserve for the City Water Revenue Bonds (iii) monies on hand in the City's existing debt service reserve account of the Water Revenue Bonds, Series 1998 will be used to fund the Series 2006 Reserve for the City Water Revenue Refunding Bonds.

Appendix I

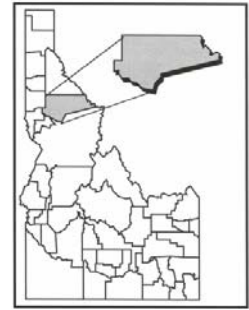
City of Orofino

(This page left blank intentionally.)

City of Orofino

The City of Orofino (the "City") was incorporated in 1905 and provides public safety (police and fire), streets, sanitation, health and social services, culture/recreation, public improvements, planing and zoning, and general administrative services. Other services include utility operations. It encompasses 7 square miles. There have been no annexations to the City in recent years.

The City is located along U.S. Highway 12, in northern Idaho. It is the county seat of Clearwater County (the "County"). The County borders Montana and ranks 29th among Idaho counties in population and 10th in area (2,488 square miles). Nearly 27 square miles of the County are water. The federal government owns more than 53 percent of the land. Clearwater County was created in 1911.



Clearwater County

Water and Wastewater Project

Proceeds from the City's loan with the Authority will be used to refinance the City's existing Water and Sewer Revenue Bonds, Series 1997A (the "1997 Bonds"), which were issued for System improvements.

Authority

The City Council has adopted its Ordinance No. 731 setting forth the security pledge for payment of the City Revenue Bonds to be issued under the Revenue Bond Act evidenced by a Loan from the Authority and authorizing the City to enter into a Loan Agreement with the Authority. Loan proceeds will be used to refinance the City's 1997 Bonds.

Management

Form of Government

The City is managed by a Mayor- Council form of government pursuant to Title 50 of the Idaho Code, as amended, and the City Code. Mayors are elected at-large on a non-partisan ballot for a four-year term. The Council is composed of six members who are elected to staggered 4-year terms of office. The Council has oversight, responsibility and control over all activities related to the City. Following is a list of current elected officials, their occupations and their terms of office.

Mayor and City Council Members

Council Members	Occupation	Term Commenced	Term Expires
Joe Pippenger, Mayor	Businessman	February 13, 2000	January 2008
Ted Brown	County Employee	January 1, 2006	January 2010
H.L. "Roy" Clay	Businessman	January 1, 2004	January 2008
Mike Deitrick	Corps of Engineers	June 1, 2001	January 2010
Doug Donner	Businessman	January 12, 1988	January 2008
Ryan Smathers	January 14, 2002	January 14, 2010	January 2010
Vacant			January 2008

Rate Setting Authority

Rates and charges for services are established by the City Council pursuant to the City Code and ordinances and are not subject to review or approval by any federal or State regulatory agency.

Key Administrators

The administrative and management staff of the City includes three appointed officials and additional classified management personnel. All appointed officials are nominated by the Mayor and approved by the Council.

Key Administrators

Council Members	Position
Rick E. Laam	City Administrator
Janet Montambo	City Clerk
Pam MacGuffie	City Treasurer

System Management

Pursuant to the City Code, the City Administrator or his designee is responsible for inspection of the sewer system. The System is managed by Larry Annen, the Water/Wastewater Superintendent.

Staff

The City currently employs 20 full-time and 25 part-time people in addition to its 7 elected officials. The City does not have any labor agreements or collective bargaining units.

Pension Plan

The City's employees are covered under PERSI as described in Appendix F. The City's contributions required and paid in Fiscal Years 2003, 2004 and 2005 were \$67,661, \$71,975 and \$73,551, respectively. Unfunded actuarial liability is paid through employee and employer contribution rates of multiple-employers as determined by the PERSI Board of Trustees.

Other Postemployment Benefits

All postemployment benefits are paid by the State pursuant to Chapter 59, Idaho Code. The City does not have any liability for other postemployment benefits.

Water and Wastewater System

The City is served by two separate water and wastewater districts. The City owns, operates and maintains the water distribution and wastewater collection and treatment System for approximately one-half of the City, which is accounted for in the City's Water and Sewer Enterprise Fund. The Riverside Water and Sewer District serves the remaining residents of the City.

The City provides water and wastewater services to 1,055 customers, about 60 percent of all residents. There are no unmetered customers and there is no water service extending beyond the incorporated city limits. Wastewater services, however, are provided to 157 county residents residing in the Orofino-Whiskey Creek Water and Sewer District which is outside the City limits.

Service Area

The boundaries of the City's water and wastewater services cover approximately one-half of the incorporated City limits. There are no water services extending beyond the incorporated City limits.

The City has an intergovernmental agreement with the Orofino-Whiskey Creek Water and Sewer District. The agreement was renewed on January 1, 2005 for a 20-year period for the receiving of treatment of their wastewater. There are approximately 157 residents within the Orofino-Whiskey Creek Water and Sewer District.

Wastewater and water services are required pursuant to Ordinance No. 655 and 659, respectively. Wells are not permitted; however, septic tanks are optional if the City main is not within 200 feet of the property line. If the City main is extended at any time in the future, the property owner is required to connect.

**Population
Clearwater County and City of Orofino**

	1980	1990	2000	2004 ⁽¹⁾
Clearwater County	10,390	8,505	8,930	8,393
City of Orofino	3,711	2,868	3,247	3,151

(1) Bureau of the Census estimates.

Source: Idaho Commerce and Labor, <http://cl.idaho.gov/data/census/CityPops2000-2004.xls>, February 28, 2006.

**City of Orofino
Major Employers**

Employer	Business	Number of Employees
Idaho State Hospital North	Healthcare	328
Joint School District No. 171	Education	300
US Forest Service/ Clearwater	Forestry services	230
Clearwater County	Government	149
Clearwater Valley Hospital	Healthcare	120
Idaho Dept. of Corrections	State correctional institutions	94
Konkolville Lumber Company	Kumber-Manufacturers	63
Glenwood IGA Foodliner	Grocers - Retail	60
Clearwater Health and Rehabilitation	Nursing & convalescent homes	57
A Compassionate Cate	Home health services	53

Sources: "InfoUSA", report drawn March 13, 2006. U.S. Forest Service, Idaho State Hospital North and Idaho Dept. of Corrections information came from the Idaho Department of Commerce and Labor.

**Clearwater County
Annual Average Labor Force Data**

Year	Civilian Labor Force	Unemployment	Percent Unemployed	Total Employment
2005	3,370	317	9.4%	3,053
2004	3,359	339	10.1	3,020
2003	3,283	377	11.5	2,906
2002	3,349	451	13.5	2,898
2001	3,527	508	14.4	3,019

Source: Idaho Commerce and Labor, Clearwater County Profile, January 2006, <http://cl.idaho.gov/lmi/pubs/ClearwaterProfile.pdf>, March 18, 2006.

Rates and Charges

The City Code sets out the process and provisions for wastewater fees and charges. Pursuant to the City's Ordinance No. 570, Section 2, 3-3-7(B), owners of a single-family dwelling pay a monthly base rate and owners of multi-facility units are required to pay the base rate for one facility plus two-thirds of the base rate for each additional facility, and the usage rate for any water used.

The City has instituted rate increases in each of the past three years to help create a reserve (the "Capital Reserve Account") to address long-term water needs. Below are histories and projections of water and wastewater rate increases.

Water Rate Adjustments

Month	Year	Base	Bond	Bond	Consumption per 1,000 Gallons
April	1983	\$6.00	--	--	0.60
August	1989	8.50	--	--	0.80
July	1992	10.00	--	--	1.00
March	1995	10.00	\$9.00	--	1.00
May	1996	10.00	17.00	--	1.00
October	2002	11.25	17.00	--	1.00
October	2003	11.25	17.00	\$4.00	1.00
October	2004	11.25	17.00	8.00	1.00
October	2005	11.25	17.00	12.00	1.00
Projection	2006	11.25	17.00	16.00	1.00
Projection	2007	11.25	17.00	16.00	1.00

Wastewater Rate Adjustments

Month	Year	Base	Consumption per 1,000 Gallons
April	1983	\$9.00	0.40
June	1985	9.00	1.40
October	2001	11.00	1.40
October	2002	12.25	1.40

Source: City of Orofino, Fiscal Year 2005-06 Budget.

The average monthly billing for regular water and wastewater service is \$19.68 and \$20.68, respectively. There was an average of 1,055 customers per month.

Wastewater services are provided to 157 county residents residing in the Orofino-Whiskey Creek Water and Sewer District, which is outside the City limits. Orofino-Whiskey Creek Water and Sewer District pay a flat monthly rate of \$20.65. Rates can be amended. The total amount billed to the Orofino-Whiskey Creek Water and Sewer District users in 2005, 2004 and 2003 was \$42,367, \$42,324, and \$42,148, respectively.

Customers

Water and Wastewater System Users

Year	Residential	Commercial/Industrial	Total Users	% Increase	New Connections
2006 ⁽¹⁾	853	255	1,108	5.02%	53
2005	850	205	1,055	1.25	13
2004	838	204	1,042	2.56	26
2003	815	201	1,016	-0.10	-1
2002	816	201	1,017	--	

(1) Projected.

Source: City of Orofino.

The largest wastewater users in the City are listed below:

**Ten Largest Water and Wastewater Consumers
(Fiscal Year 2005)**

	Customer	Amount Paid	% of Total Wastewater User Charges
1.	Idaho Correctional Institute of Orofino	\$68,782	14.00%
2.	Best Western Hotel	14,065	2.70
3.	Brookside Landing	11,464	2.20
4.	State Hospital North	8,027	1.50
5.	Orofino Elementary	6,327	1.20
6.	Helgeson Place	5,656	.08
7.	Clearwater Valley Hospital	4,342	.07
8.	Orofino Junior High School	3,922	.07
9.	Orofino High School	3,846	.07
10.	Valley Apartments	3,826	.07
Total System		\$ 507,206	

Source: City of Orofino, March 17, 2006.

Billing and Collections

The City utilizes an automated billing system from which all customers are billed monthly for water and wastewater services. Metered and flat rate accounts are billed in arrears. All water and wastewater service charges are due upon billing and are delinquent if not paid by the 25th day of the month. If the delinquent account is not paid by the 10th day of the following month, the account will be terminated per City ordinance. All delinquent accounts are pursued aggressively on a month-to-month basis. The City charges a monthly fee for late payments. The late fee was \$2 from 1984 through the 2005 Fiscal Year and increased to \$5 at the commencement of Fiscal Year 2006.

Any account not paid by August of each year is subject to a contractual lien on their property. All owners must sign a utility billing agreement prior to receiving City utility service. The agreement stipulates that if the bill is not paid, a utility lien will be placed on their property and will subsequently be paid through property taxes. A property owner is responsible for renter's utilities under the same agreement. For 2005, the City had a total of \$483 in liens against property owners.

System Financial Information

A three-year Summary of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets for the City's Water and Sewer Enterprise Fund follows.

Water and Sewer Enterprise Fund (Fiscal Years)

Statement of Net Assets	2003⁽¹⁾	2004⁽⁵⁾	2005
Total Assets	\$ 4,083,239	\$ 4,136,061	\$ 4,310,381
Total Liabilities	<u>1,283,984</u>	<u>1,228,972</u>	<u>1,108,078</u>
Total Net Assets	<u>\$ 2,799,255</u>	<u>\$ 2,907,089</u>	<u>\$ 3,202,303</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,879,400 ⁽²⁾	\$ 1,828,976	\$ 1,928,976
Restricted	129,131	521,141	606,030
Unrestricted	<u>790,724 ⁽³⁾</u>	<u>556,972</u>	<u>667,297</u>
Total Net Assets	<u>\$ 2,799,255</u>	<u>\$ 2,907,089</u>	<u>\$ 3,202,303</u>
Statement of Revenues, Expenses and Changes in Fund Net Assets			
Operating Revenues	\$ 704,494	\$ 742,810	\$ 807,261
Operating Expenses	<u>677,372</u>	<u>630,363</u>	<u>457,222</u>
Operating Income	27,122	112,447	350,039
Nonoperating Revenues (Expenses)	<u>(29,989)</u>	<u>15,386</u>	<u>(27,630)</u>
Net Income Before Interfund Transfers	(2,867)	127,833	322,409
Other Financing Sources (Uses)	<u>(18,000)</u>	<u>(20,000)</u>	<u>(21,000)</u>
Net Income	(20,867)	107,833	301,409
Net Assets at Beginning of Year, as adjusted	<u>2,820,123 ⁽⁴⁾</u>	<u>2,799,256</u>	<u>2,900,894 ⁽⁶⁾</u>
Net Assets at End of Year	<u>\$ 2,799,256</u>	<u>\$ 2,907,089</u>	<u>\$ 3,202,303</u>

(1) The 2003 information has been adjusted for presentation purposes to incorporate GASB-34 rules.

(2) Adjustment includes capital assets of \$3,124,401 less \$1,245,001 of debt.

(3) Adjustment includes \$2,799,255 of Total Net Assets less "Invested in capital assets, net of related debt" and "Restricted" net assets.

(4) Fiscal Year 2002 equity from the City's audited financial report.

(5) GASB-34 implemented.

(6) Net Assets as of September 30, 2004 adjusted by \$6,195 for accrued payroll liabilities.

Source: City of Orofino Audited Financial Statements.

A summary of the budget for the Fiscal Year ending September 30, 2006 follows:

**Water and Sewer Enterprise Fund
Adopted Budget**

Revenue		2006
Other Government Contributions	\$	25,000
Water Metered Sales		240,000
Reconnection Fees		800
Initial Hook-up Fees		1,500
Penalty and Interest		100
UB Utility Charges		11,000
Sewer Service Revenue		239,000
Sewer Hook-up Fees		1,500
OC/WC Sewer Services		40,000
Other Operating Revenues		11,000
Interest Earnings		300
Investment Earnings		16,000
RV Dump Contributions		500
Prior Year Cash Carry-over		100,000
Total Resources	\$	<u>686,700</u>
Expenditures		
Water		
Administration	\$	61,855
Pumping		21,504
Treatment		122,541
Transmission/Distribution		42,589
Customer Accounts/Meter Reading		18,193
Water Total	\$	<u>266,682</u>
Sewer		
Administration	\$	45,595
Collection/Transmission		130,465
Orofino/Whiskey Creek		15,000
Pumping/Lift Stations		28,204
Treatment		173,439
Customer Accounts/Meter Reading		18,315
Sewer Total	\$	<u>411,018</u>
Contingency		9,000
Water/Sewer Fund Total Expenditures	\$	<u>686,700</u>

Source: Adopted Budget.

Plant and Facilities

Water System Facilities

The City uses the Clearwater River as its source water. The raw water pumping station was built in 1930 using two vertical turbine pumps rated at 800 gpm and 1,200 gpm. The City has water rights to the Clearwater River which includes a statutory claim of 2.10 cubic feet per second ("cfs"; 1.36 million gallons per day "mgd") and licensed for 1.35 cfs (90.873 mgd). The status condition of the pump station is functional and reliable considering its age of 76 years. The City has five pressure zones serviced by pump stations with storage. The distribution system dates from 1930 to 1994. The status and condition of the distribution system is poor to good.

The City has a 1.1 mgd conventional treatment facility that was constructed in 1953 and upgraded in 1977. The plant has received several additional improvements in the past five years. They include: rebuilding of the rapid mixer in 2004; the flocculation basin roof was rebuilt in 2000; the dry alum feeder was replaced in 2001; a supervisory control and data acquisition ("SCADA") system was installed in 1993; a 1,200 gpm raw water pump was installed in 2003. The status and condition of the facility meets all regulatory mandates for water quality. Mechanical and electrical components of the plant are old and have served their useful life. The superstructure is in reasonably good shape.

The City's reservoir capacity is 1.754 mg. All reservoirs are well maintained and in good condition. The City's Water Treatment Plant has the capacity to treat 1.1 mgd with a yearly average demand of 0.48 mgd. Maximum daily demand is at present plant capacity.

Historic Water Usage

Usage in millions of gallons	2003	2004	2005
Master meter, total water flow	178.19	158.41	170.40
Water billed to customers	118.9	119.39	124.18
Approximate amount utilized for flushing mains, fighting fires, backwash water, swimming pool, city park and the park around the pool and storage	32.29	32.11	32.34
Approximate amount unaccounted	27.0	6.91	13.38

Wastewater Facilities

The City has a Secondary Wastewater Treatment Facility that was constructed in 1984 and has a capacity of .88 mgd. The average daily flow is .40 mgd. Treatment consists of screening, grit removal oxidation ditch (biological), clarification, disinfection, biosolids dewatering and composting or land application. The status and condition of the facility is good and is well maintained.

The City's collection consists of three pump station. The status and condition of the collection station is good. Collection piping dates from 1930 to 2006. The status and condition of the collection system is poor to good. The reserve capacity of the System is at 50 percent.

**Wastewater Treatment Plant
2005 Effluent Flows and Loads**

Flows and Load	mgd
Average Daily Flow	0.45
Peak Month Flow (mgd)	0.861
Peak Day Flow (mgd)	1.92
Peak Hour Flow (mgd)	1.92
Average Annual BOD Load (lb/d)	8.7
Current Peak Day BOD Load (lb/d)	32
Average Annual TSS Load (lb/d)	9.2
Current Peak Day TSS Load (lb/d)	112

Source: City of Orofino, March 2006.

Capital Improvements Plan

The City implemented a Water System Master Plan and Implementation Program that was prepared by CH2M Hill in 1996. In its Fiscal Year 2006 Budget, the City included four major projects for the System as shown below:

**Capital Improvements
(Fiscal Year 2006)**

Project	Funding Source	Year	Amount
Divesting from EKO: The City currently pays EKO \$20,000 per year for sludge disposal. The City intends to acquire a sludge truck in order to begin land application of sludge.	Vehicle Fund	2006	\$150,000
Sewer Line Improvement: Repair or replace the sewer line between Johnson and A Street, and Main and Johnson Street.	Sewer Fund	2006	\$100,000
Wastewater Treatment Plant, Phase II: Complete the pre-treatment bar-screen.	Sewer Fund	2006	\$30,000
Water Treatment Plant: Long-term planning process to replace the existing water treatment plant.	Water/Sewer Fund and Revenue Bonds	2008	To be determined

Source: City of Orofino, Fiscal Year 2005-06 Budget.

Environmental Regulations

The City has two discharge monitoring permits. The City's DMR permit has an expiration date of November 28, 2008. The City's DMR permit has an expiration date of December 7, 1973. The Environmental Protection Agency has administratively extended this permit through 2006, at which time a new permit will be issued. The City's turbidity monitoring report water compliance was 99.9 percent for 2005. Its discharging monitoring report wastewater treatment compliance was 100 percent for 2005. The water quality report for the previous 15 years has been 100 percent.

Terms of Debt

Indebtedness

The City has no outstanding long-term indebtedness of any kind, other than the Series 1997A Water and Sewer Bonds which this issue is refunding.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Water and Sewer Fund Obligations</i>				
Series 1997A Water and Sewer Bonds ⁽¹⁾	06/01/97	06/01/13	\$ 1,500,000	\$ 1,050,000
Less: Refunded Bonds				(1,050,000)
City Revenue Bonds, Series 2006 ⁽²⁾	05/11/06	09/01/13	945,000	<u>945,000</u>
Total Water and Sewer Fund Obligations				<u>\$ 945,000</u>

(1) The Series 1997A Water and Sewer Bonds are being defeasanced through issuance of the City Revenue Bonds, Series 2006.

(2) This issue. Amounts are preliminary, subject to change.

Source: Audited Financial Report for the Year Ended September 30, 2005, City Staff and this issue.

Capital Leases

The City enters into capital leases from time-to-time for equipment and vehicles. Currently, the City does not have any outstanding capital leases.

Projected Debt Service Requirements Wastewater System Obligations

Fiscal Year	City Revenue Bonds ⁽¹⁾		Total Debt Service ⁽¹⁾
	Principal	Interest	
2006	\$ 10,000	\$ 14,277	\$ 24,277
2007	120,000	46,359	166,359
2008	120,000	41,979	161,979
2009	125,000	37,539	162,539
2010	135,000	31,414	166,414
2011	135,000	24,158	159,158
2012	145,000	16,733	161,733
2013	155,000	8,758	163,758
	<u>\$ 945,000</u>	<u>\$ 221,214</u>	<u>\$ 1,166,214</u>

(1) Fiscal years ending September 30.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2005 and Finance Staff updated through date of this Official Statement.

Coverage and Reserve Requirement for the City Revenue Bonds, Series 2006

The City has covenanted in its Loan Agreement that it will charge rates for the Wastewater System at levels to provide Revenues less the costs of operations and maintenance sufficient to cover the aggregate principal and interest payments on the City Revenue Bonds by at least 1.25 times in each Fiscal Year.

The Reserve Requirement for the City will be the lesser of: (i) 10 percent of the proceeds of the City Revenue Bonds, (ii) maximum annual principal and interest on the City Revenue Bonds, or (iii) 125 percent of average annual principal and interest on the City Revenue Bonds.

The City intends to fund its Series 2006 Reserve from monies on hand in the City's existing debt service reserve account for the 1997 Bonds.

**Historic and Projected Coverage
Water and Sewer System Obligations**

	2007 ⁽¹⁾	2006 ⁽¹⁾	2005	2004	2003	2002
Operating Revenues						
Charges for services ⁽²⁾	\$ 807,261	\$ 807,261	\$ 807,261	\$ 742,810	\$ 704,494	\$ 655,991
Total Operating Revenues	<u>807,261</u>	<u>807,261</u>	<u>807,261</u>	<u>742,810</u>	<u>704,494</u>	<u>655,991</u>
Operating Exepnses						
Salaries and Benefits	223,456	223,456	223,456	201,964	256,569	256,456
Administrative and Supplies	<u>232,942</u>	<u>232,942</u>	<u>232,942</u>	<u>161,537</u>	<u>200,884</u>	<u>171,493</u>
Total Operating Expenses ⁽³⁾	<u>456,398</u>	<u>456,398</u>	<u>456,398</u>	<u>363,501</u>	<u>457,453</u>	<u>427,949</u>
Net Operating Income	<u>350,863</u>	<u>350,863</u>	<u>350,863</u>	<u>379,309</u>	<u>247,041</u>	<u>228,042</u>
Add: Interest income	19,861	19,861	19,861	16,196	27,177	28,420
Available for Debt Service	<u>370,724</u>	<u>370,724</u>	<u>370,724</u>	<u>395,505</u>	<u>274,218</u>	<u>256,462</u>
Debt Service						
Wtr/Swr Revenue Bonds, Series 1997	0	165,530 ⁽⁵⁾	165,830	165,770	165,360	164,610
City Revenue Bonds ⁽⁴⁾	<u>166,359</u>	<u>24,277</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>166,359</u>	<u>189,807</u>	<u>165,830</u>	<u>165,770</u>	<u>165,360</u>	<u>164,610</u>
Debt Service Coverage	2.23	1.95	2.24	2.39	1.66	1.56
Available for Other Purposes	\$ 204,365	\$ 180,917	\$ 204,894	\$ 229,735	\$ 108,858	\$ 91,852

(1) Except as noted, assumes Fiscal Year 2005 Revenues and Expenses do not change.

(2) The City Council adopted rate increases in 2003, 2004 and 2005 and anticipates adopting an increase in 2006.

(3) Excludes depreciation expense.

(4) This issue. Amounts are preliminary, subject to change.

(5) The City plans to make a cash contribution into an escrow account for its June 1, 2006 payment on its 1997 Bonds.

Source: City of Orofino.

(This page left blank intentionally.)

Appendix J

Specimen Financial Guaranty Insurance Policy

(This page left blank intentionally.)



Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee